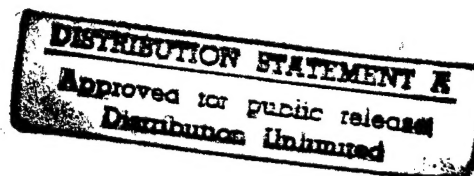




# ***JPRS Report***



# **East Europe**

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# East Europe

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10 December 1991

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### Slovak Deputy Criticizes Disregard of Facts

92CH0151A Prague REPORTER in Czech 13 Nov 91  
p 2

[Commentary by Federal Assembly Deputy Jan Mlynarik: "In the Name of Discontinuity"]

[Text] When a representative of the Civic Democratic Union-Public Against Violence [ODU-VPN] in the Federal Assembly was reading the standpoint of his parliamentary club on the 73rd anniversary of the Declaration of Martin, deputies of the Slovak National Party left the hall. This was no accident; it was quite natural and indeed emblematic of our time. The party that ought to have in its program direct affirmation of Slovak national traditions is rejecting, denying, and belittling these traditions. Its proclaimed slogan "For God and Country" acquires a peculiar taste in this dimension: selecting from history of what momentarily suits people of the nationalist persuasion.

On that day, 30 October 1918, Slovaks unanimously proclaimed their desire to live in a common state with the Czechs. This was agreed to not only by Andrej Hlinka and Martin Razus, but also by representatives of the Slovak National Party Matus Dula, as well as Emanuel Lehotsky, leader of Slovak Social Democrats. Without this declaration the new state could not come into being, the state which meant national salvation for the Slovaks. Therefore they always commemorated 30 October with thoughts of all the positive they had gained. When in consequence of the breakdown of the Versailles system and the Third Reich aggression into central Europe the continuity of the Republic was temporarily de facto interrupted and a Slovak State proclaimed in its eastern part, it was precisely Slovaks who in 1944 raised arms in an uprising under the slogan of restoring the Czechoslovak Republic. And it was again in those critical days of August 1968 threatening the sovereignty of the state that Slovaks manifested their will to live together with the Czech nation in a common state. These were the three historic initiatives in which Slovaks made clear that they wish to live with the Czech nation in a single state as its founders, Professor Masaryk and General Stefanik, had wanted.

The four decades of totalitarianism have complicated the nationality question. Unresolved, deliberately suppressed problems "broke out" following the victory of the November 1989 revolution and entered our life in an overwrought version. Of course a segment of Slovak politics views this situation as propitious for raising extreme nationalist demands. They see an opportunity to project themselves into the leadership of the nation and to gain the most rewarding positions in government administration. They simply see a chance to win power. However much they swear they want to serve the nation, personal ambitions are foremost at the expense of the whole, of the community, the republic.

Within the complex of politics perceived in this fashion the Slovak nationalists are trying to be "different" by

proclaiming new slogans. Not a common but an independent state. But this was already here at one time! Not 28 or 30 October but 14 March—a date elevated to the apogee of Slovak history. A state given to the nation by Hitler. A state responsible for the tragedy of more than 60,000 Slovak Jews. A state with a single totalitarian party, with a single leader, an undemocratic, brutish state. All remnants of the People's Party emigration have joined in efforts to rehabilitate it. The Slovak State's ideologue Polakovic comes from Argentina to recall the idea of the fascist state and its "good works" for the nation. Here come the historians Durica and Vnuk to represent a new concept of Slovak history: For one thing, that Slovaks already had at least three independent state entities (following Greater Moravia it was supposedly also Slovakia during the reign of Rakoczy II), and that its biggest enemies and "ill-wishers" were Czechs from times immemorial. It is from these sources that Slovak National Party deputy in the Federal Assembly, Sedovic, then draws the conclusion that Slovaks constitute the oldest Slav nation which the Czechs are trying to hide from the world and deny its existence.

The idea of independence tied with the tradition of the Slovak State also exalts the protagonists of the fascist state. President Tiso suddenly emerges as a martyr. Federal Assembly deputy and representative of the Slovak National Unity, Panis, does not hesitate to call on CSFR President Havel to apologize on behalf of the Czech nation for the execution of Jozef Tiso. To this failed barroom drummer the Czechoslovak Republic's traditions are merely "Prague imperialism." The man who until the last moment performed at ceremonies of the Czechoslovak-Soviet Friendship Association is now the most Slovak of all Slovaks. And similarly as his parliamentary colleague Slota, the mayor of Zilina, he is already preparing court trials of traitors to the nation. The other day he did some speculating in Kosice: we may no longer have the death penalty but traitors face the highest possible penalty. Slota in Zilina dreams of "running a steamroller" over all Slovak politicians who failed to realize in time that "within a few months" a Slovak state will be here: all these Slovaks will be condemned as "common traitors."

Both Panis and Slota, as well as others, are deputies in the highest legislative body of the Federal Republic to which they pledged allegiance in their oath on taking office. But day in day out they not only violate their pledge but even ridicule it. It seems that anyone, any time, can kick the Republic. At public gatherings we see a frenzy of national chauvinism: in Bratislava's largest square a CSFR flag is burned. Chauvinists break the doors of the Slovak National Council. They disrupt gatherings of citizens who support the common state. They have no compunction to attack the CSFR president and do it repeatedly—on 14 March in Bratislava, and then throwing eggs at him on 28 October on National Day. They insult the chairman of the Slovak government Carnogursky (Ruzomberok) as also the chairman of the

parliament Dubcek (at the Stur commemoration in Uhrovec). Nothing is sacred to them and they will stop at nothing.

State authorities should perhaps intervene in this situation. But when Panis is charged with the criminal offense of propagating fascism the investigators fail to establish material grounds for criminal prosecution. No wonder: For they themselves do not know what that fascism really is. The SR [Slovak Republic] minister of the interior praises the police for handling the "egg" incident against the president. In any civilized country anywhere he would have to resign immediately on grounds of incompetence. As for the Panis and Slota crowd the appetite grows with the eating. If the first effort to unveil a plaque to Tiso failed, it will be unveiled again a few months later and nothing more will happen. They are testing how far and how high they can jump. But of course it is no wonder if the two highest SR representatives—the prime minister and the Slovak National Council chairman—declare that the CSFR does not have uninterrupted continuity and that the Slovak State was worth something after all since the citizens collected money for its gold treasure.

There is no screening in Slovakia. Whenever an inquiry into the past approaches, agents of the former StB [State Security] mobilize their forces and nationalist emotions rise to their peak. The old totalitarian power in Slovakia sees its salvation solely in reviving chauvinistic patriotism, literally against all. The most dogmatic and ardent servants of the Soviets have turned into Slovak patriots, nationalists par excellence. The national artist Minac has converted to the national faith. And along with him many others are circling the nation's altar. The nation as the highest and most sacred value. The word citizen has already come to sound like an insult in the ears of these people in Slovakia.

Even though our review of the present situation is hardly something to cheer about, we nevertheless regard it as historically justified. A long festering sore has opened. The time has come for cleansing and healing. And this in itself is already a positive thing.

#### **Review of Options Available to Slovakia**

92CH0147A Bratislava KULTURNY ZIVOT in Slovak  
5 Nov 91 pp 1, 7

[Article by Vladimir Krivy: "At the Crossroads or on the Critical Path?"]

[Text] We do not know the future. But the impossibility of knowing it is no justification for how the ideologists and politicians avoid any kind of judgment as to the future consequences of their concepts and proposals. The nationalistic demands which are today directed at the total separation of Slovakia are referred to as "justice" or the "will of the people" (actually divided) and they call for "courage." In fact, judgment of the consequences is their weak side. Their inability to conceive and express to the people any probable scenario of steps

and consequences after declaring independence, or after the failure of confederative efforts, is covered up in a classic manner; they declare it to be a positive aspect and it is supposed to be a show of "honesty"—"look, we are not preparing anything." Warning predictions or cautions are brushed off with the comment "don't be afraid," which is actually justified only in certain cases. The sequence of consequences is obviously clear.

The relationships in the joint state need adjustment, but there are various opinions as to what kind. Delaying the adjustments is grist for the mill of Slovak nationalism in which some movements know no limits. Not distinguishing between the movements leads to bad tactical steps and draws others into the nationalist camp. The atmosphere of irrationality and mistrust expands.

There exists a danger that nationalism here as well will take root as a means of departure from communism (and partly as its metamorphosis) and on a wave of national romanticism and idealism this can lead to intolerance, strong internal conflict, the limiting of civil rights, and an authoritative or even totalitarian regime.

From real and imagined wrongs, from frustration and uncertainty, from vindictiveness and unfulfilled personal ambitions, from various interpretations of history, and from fundamentalism and sincere dreams there is today being formed in Slovakia a national movement of movements which unites a part of Slovak society and divides it as a whole. Today the supporters of a joint state predominate in numbers, but its adherents probably do not all have the same idea as to how that joint state should look in the future.

It would be easy and simple to see the entire history, along with today's postcommunist events, as the result of a conspiracy. Undoubtedly, however, the calculations and actions of various of "yesterday's" forces come into play. The Polish sociologist A.J. Matejko reflects that in many countries part of the previous communist structures assumes that the new political elite will not be successful in reforming the economy and the growing dissatisfaction among the populace will offer them some kind of chance in the future to create a new government under another name and with a different program.

In a situation where many European taboos are disappearing, when regimes and histories are swallowed up, and when the parliamentary system guarantees political freedoms, it is no problem to put forth great demands. The problem is to find out quickly what their secondary and tertiary consequences are, to control a moderate approach, and to ensure the balanced short-term and long-range security of the entire area.

#### **The Threat of the Euphoria of Separation**

The Slovak sociologist P. Guran, who studied the nature of separation in his time, described the type that is characteristic for a rapidly industrialized area (or city) with destabilizing value conditions. It is distinguished by an immediate "separation euphoria," which is a

euphoric desire for separation "as soon as possible and without regard to cost." It would not be good if Slovakia or Czecho-Slovakia gave in to such a "separation euphoria." The current situation of asking questions, reproaches, formulating ideas, and the existing polemics are also signs of a euphoric nature. It shows up in a strengthening of irrationality, partial unreality, appeals for courage, seeing the independent state as a "magic wand" for the solution of all problems, the desire to enter into an area of legal uncertainty, urgings of the type that "now is the right moment," and an unwillingness or inability to lay out and evaluate realistically the alternative consequences.

### Is This a Country or a Regime?

The separationist tendencies in Slovakia are for the most part explained by the differing political orientations and economic concepts, or at least desires, which are not always openly shown, but rather covered up by the efforts to achieve an independent state. There is sharp mistrust directed against liberalism (in the West European sense of the word) and against a Klaus-type transformation; the orientation leans rather to the left (efforts at finding a third path anticipating state paternalism and the image of a significantly social oriented state). This brings in authoritative to totalitarian risks and symbols: the often uncritical calls for a militant Slovak state; the resurrection of Tiso by one movement and the lack of distancing from this resurrection on the part of several other movements; the revival of fertile soil for anti-Semitism; the declaration of a "national unity" from which only "traitors to the nation" (or, in other words, thinking people) would be excluded; intolerance, breaking up others' meetings, and cases of physical terrorizing of the opponents of nationalism.... It is also a matter of how the political crowd of representatives for an independent Slovak state would be forced to react in a situation of a growing breakup of the economic structures, necessary stronger state protectionism, internal political tensions after the state political change and the adaptation of a stricter language law, and the probable situation of partial international isolation.

I do not wish to pass judgment on the abstract idea of an independent Slovak state. Let us evaluate the forces which today are pushing for it, the language and means which they utilize, the value orientation and attitude of its sympathizers, along with the geopolitical positioning and such. The decisive matter is thus how they would fulfill their idea of a Slovak state and what the actual consequences would be. I think that the possibilities are easily foreseen as a whole and are mostly of a warning nature.

### Economic Transformation: Yes or No?

There is no doubt that the economic transformation has hit Slovakia more painfully than the Czech lands. This is especially because of the more difficult "starting point" conditions. It is not just that, however, that determines

the different evaluations and attitudes toward the situation. In the Czech lands—despite the fact that it is really possible to assert in a certain sense that communism arrived in Slovakia "through them"—the regime and the system were thoroughly rejected and it was widely recognized that it led to a decline in civilization. It is coming to light that in Slovakia this rejection was not as complete and unambiguous. Because of this, polls show a more passive and defensive attitude as a whole to social change, a very critical relationship to the post-November developments, little trust in the transformation or privatization, and finally even a higher appreciation of the former regime in comparison with the current one. The question remains as to how much this is a manifestation of a high level of frustration and fears of the transformation operation and how much it reflects a deeper orientation and values.

### Sociocultural Trends

Distrust of liberalism has its own place and historical roots in Slovakia. In the behavior of some of the Catholic-oriented politicians one can also see a mistrust of the "corrupted West," which influence today is also coming quite strongly through the Czech lands. The attempt to protect the uncorrupted Slovak people against this infection is probably not connected in their minds with any illusions about eastern political influence, but rather with an idea about a mission of creating a bridge to the culture of the East. And the citizens? Overall, in 1991 they still feared the influence of the United States more than that of the Soviet Union. After 1968, there is no point in labelling this political naivete; it is a certain, specific political culture.

### Geopolitical Plays

The dissolution of Czecho-Slovakia would weaken the subsequent entities vis-a-vis the German economic giant, although the danger would be moderated by the democratic nature of Germany and the integrative European tendencies. There is more risk for Slovakia related to its eastern neighbor; today we do not know whether it will be a new Ukraine or a disintegrating Soviet Union, what forces will prevail in it, what its prosperity and political stability will be like, and how it will define its external interests.

An independent problem would be the development of relations with Hungary, especially in connection with the Hungarian minority in Slovakia, which is oriented more to a Czecho-Slovak identity than to an independent Slovakia. Insensitive pressures on it would lead to strengthening of the more radical groups within the nationality and to strengthening the voices calling for separation, as polls have already shown.

The geopolitical connections of the state legal composition are among the decisive ones; it is quite tragic to see how the citizens, and also some of the politicians, underrate this aspect.

The basic question for our future is to which part of Europe we will belong geopolitically, economically, politically, and culturally. We well remember the period when we belonged geographically to Central Europe, but otherwise to East Europe. If there is today an international chance for something, then it is a chance to strengthen the Central European identity and economic, cultural, political, and security relationships of all cooperating countries with the West. Only with that kind of shelter is there any point in considering building bridges and intensive relationships with the East. The dissolution of the Czecho-Slovak state threatens us primarily with the danger that the Western guarantees and interests will not relate to us and that geopolitically and culturally Slovakia will remain "beyond" the decisive border. There could be a different situation as a result of possible German economic interests (with a close eye on the East) and the resulting German influence.

### Political Parallels?

Some representatives of the political scene have pointed out, incorrectly in my opinion, the schizophrenia of federal political representation in particular, especially in connection with the Baltic republics; it has one attitude toward the Baltic republics and a different one for Slovakia. In the first place, one must say that it is not a matter of whether Slovakia can or cannot declare itself independent. It can do this. It is a matter of whether it is "here and now" a good or a bad solution and also of what paths for such an eventual separation are allowable and which are not. It is further evident that the parallels diverge because the history of the inclusion of Slovakia in the CSR [Czecho-Slovak Republic] took place in a substantially different way than the incorporation of the Baltic republics into the Soviet Union. The position of Slovenia or Croatia is again a different matter. Of the sequence of events in the Yugoslav crisis, the most instructive aspect for us is the mechanism by which the crisis was intensified, supporters recruited, the nationalist parties advanced and their style used, the actions of media, the creation of stereotypical enemies, underground paths of communications, the terminology used, the increase in hostile acts, and the way in which distrust and alienation was increased.

### The Instability of Politicians

Many politicians, including some very influential ones, in one year have significantly changed their positions of the state legal arrangement. Perhaps the most noticeable aspect is the view of the "chance" of Slovakia in a transformation from a federation to a confederation offered by providence, but there are other reversals as well. It is symptomatic that many of these politicians react this way to some recent personal failure. While in the existing political climate these reversals are not generally dangerous for them (they are tolerated by too many citizens), it is possible to expect a marked dependence by the citizens on their influence and the variability of their positions. The instability of the politicians contributes to the disorientation of many citizens.

### Moderation and Radicals

From the history of Slovakia in the joint state one can also select quite a few disappointments, some promises not kept, and an unpleasant feeling about "the other person." However, if one does not want to see 50 years of totalitarian regimes and instead construes the Czech (and federal) founders as bad, that is a demonstration of a certain hierarchy of values, as well as a lack of discrimination and a biased tendency in interpreting history. On the basis of such a hierarchy of values, historic interpretation, sowing the fertile soil of hatred and intolerance, and the mobilization of the people against an exaggerated enemy, it is possible to create great things and perform historic actions, but it is not possible to create a normal freedom for society.

Most proponents of an "immediate and nonfederal solution" can feel themselves to be offended. They are not at all so one-sided, they have not forgotten totalitarianism, and they are not intolerant of people! But their reactions to the more radical manifestations, if there are any at all, are weak and to little effect. The logic of the steps shows that matters in the initial period of independence will at least become more radical, rather than being resolved in a moderate way. It can thus be anticipated with a high degree of probability that they will not be setting the tone in an independent Slovakia, but rather those more radical and less intolerant people will.

### The Rising Spiral of Alienation

In the political and journalistic communications between the Czech and Slovak parties there have been, and continue to be, enough words said and accusations made which are painful to the other party and which cause alienation. The democratic conditions under which one can speak freely do not prevent this; with semianarchy in which it is totally routine to publish falsehoods and hateful statements, it is even more likely. It is certain that some people do this deliberately; the spread of the idea that perhaps everyone (of course, on the other side) does this intentionally in order to give offense shows a process of increasing mistrust has started.

There is a lot of noise, misinterpretations, and direct material untruths in the mutual communications. A significant part of the nationalist movement in Slovakia is working diligently at the creation of new, dangerous stereotypes and in ways that often also excite anger; on the Czech side, the main danger is in persisting with old stereotypes.

And thus from the initial moments of a certain mistrust which exists even in undoubtedly the best relationships, through offended and many times offending interpretations of one's own demands and the actions of the others, there is a rising spiral in which there is a strong current of mistrust, suspicion, coldness, and alienation. From that certain moment on, it is hard to say or do anything (or to be silent and not do anything) so that it is not understood to be a provocation.

### Is a Peaceful Separation Possible?

There is a chasm of difference between the consequences, and thus the evaluation, of constitutional and unconstitutional paths. This obeisance to the legal aspect of any orientation must, however, be supplemented by a warning note. Even a constitutional way of separation would in no case mean a peaceful transition. There would be so many painful and offensive decisions necessary and so much division that it would also cause massive human disappointments, and this is all in the situation of strained nationalistic interpretations on both sides, that it is not possible to think of a peaceful transition. Most of those who have been divorced and were "wrapped up" in multiple ways and obligations understand this very well.

### Slovakia, a Divided Society

It is becoming clear that the Slovak society is divided in relationship to most of the important questions, especially in relation to the SNP [Slovak Nationalist Party], to the economic transformation, to their understanding of democracy (parliamentary versus direct democracy), and to the state legal composition. Various combinations of these "slices" occur with "groups" of orientations. Some of these combinations are then crystallized into groups opposing each other and indicating the deep divisions in attitudes in the society.

### Isolationism, Isolation, or Openness?

The alternation or parallel existence of movements in Slovakia in which one shows a more open orientation to the surrounding world and the other is rather more closed and with greater mistrust of the environment is not a historical novelty.

The nationalist movement creates the picture of external enemies and makes the Slovaks those who have only suffered ("but we will not any more!"). If it is successful, in a little while it can actually create those enemies. Surveys and direct manifestations in our social life show a perceptible mistrust in our midst both of the Jews (for example, a fear of their influence) and of foreign capital. Such manifestations of a relatively closed and mistrustful environment are explicable by the general uncertainty and historically determined reactions, as well as fears of competition. A controlled "small pond" of one's own presents a certain kind of opportunity for a certain type of personality.

One must add that such attitudes and fears do not apply in every individual case; we have to maintain a differentiated and distinguishing view even of the nationalist and antifederation movement itself.

There is an especially serious risk of international political and economic isolation of an independent Slovakia, particularly significant in the case of employing an unconstitutional method. We consider this to be a great risk, but we do not dare to guess at its possible scale,

duration, the degree of damage to our image, or even the countervailing action of new ideological and interest alliances or dependencies.

In connect with all this, one must evaluate not only the declared and hidden agendas, but also the "logic of events," that is, the probable consequences of both the desired and the forced steps.

### From Diversity to Purity?

Is the purpose of our existence to develop our identity in coexistence with others or to achieve a suicidal national purity? We have not limited only the political influence of the Germans and Hungarians in the state, but along with this we have sharply limited the transcultural diversity as well. We "succeeded" in getting rid of the Jews (or moving them out to their destruction) and thus lost irretrievably another element which enriched our culture; the Jewish influence persists now only in the imagination of bigoted citizens. What will we do today and tomorrow with the Czech cultural influences if we allow ourselves to be convinced now that it was all Czech colonialism from the beginning? What will we do with the Hungarians here if we make it evident to them by our declaration of an independent Slovakia that we have progressed further (or again) along the road to national and cultural puritanism?

### Advantages and Disadvantages, or in Conclusion, What Is It All About?

In Europe there is a significant and unforeseeable transformation of the geopolitical chessboard looming. It is not just a matter of new borders, spheres of influence, destabilization, the occasional dissolution of some rules to the game, or conflicts between ambitions that are at odds with each other. It is a matter also of ensuring that the retreat from communism does not actually have to be immediately democracy and liberalism, but can also be nationalistic populism (A. Touraine), sometimes with authoritarian or even totalitarian regimes. Touraine has already warned that it is necessary to prepare for the possibility of a growing fragmentation of interests going all the way up to force and looking for sacrificial lambs. "According to the classical Freudian analysis of society, this would take place by the masses being incited by demagogues, who then are prepared to transform themselves quickly into dictators."

It is trivial to declare that today nationalism afflicts and threatens Czecho-Slovakia as well. The political entities which are raising the nationalist aspect differ as to its priority, the demands, and the means of pursuing it, as well as to the degree of (in-)tolerance, level of cultivation, and openness of the cards which they are playing. Blindly transferring old stereotypes, not distinguishing between movements, delays in meeting reasonable demands are all another threat to the joint state and at the same time grist for the mill of the nationalist groups already formed.

The dangers of an antifederal solution for Slovakia are:

1. A dramatic geopolitical weakening;
2. A high degree of probability of a nondemocratic regime with limited civil rights;
3. Economic damage, at least in the initial period which may last a long time;
4. A return to the tendency of the "state's protective hand," with a concentration of power in the state's hands again and more state intervention for both political and economic reasons;
5. Damage or disruption of many networks such as human, transportation, technical, and so forth.

It must be added to this that even the path of confederation is highly probable to be also the path to full state independence.

The risks of confederation are:

1. Some of those who are talking about confederation have in mind a confederation, but others rather do not want to recognize the demands for independence;
2. It is very probable that the intended political initiative will meet with a favorable response on the part of the Czechs and therefore the idea will not be achievable;
3. Some of the proponents of Slovak independence count on such a reaction and for just this reason they consider it more advantageous to talk about confederation, rather than independence—this way they can achieve the same goal, but leave the Czechs with the dirty end of the stick;
4. In the case of confederation, it is possible to expect with a high degree of probability that the differences in the economic and political orientations of the violent interpretational attacks of the nationalists on both sides will lead to a divergence of paths of the republics and quite rapidly to a point where the demand for independence will be put forth by one party or the other;
5. Anticipation of the intentions and consequences indicated in Points 3 and 4 contribute to the high level of probability that efforts at confederation will be rejected.

The idea of confederation can be relatively attractive in Slovakia because at first glance it represents a kind of middle ground between the "extremes" and a possible path of compromise in the attitudinally divided society. In the abstract, it thus makes considerable independence possible along with the coexistence of the republics. Currently it is promulgated especially by the HZDS [Movement for a Democratic Slovakia] and its "angry men." The main risks are that to some degree it may be a trick (a method of progressive steps), that the divergence of the republics will make the union unstable, that the Czech side will not consent to the above variation for these reasons (its support among the population there is also relatively weak), and that a large part of the population and political forces in Slovakia will not be satisfied with this compromise.

What can the joint state (a democratic federation) offer us?

1. A certain geopolitical security based on relationships, a good image, connections with the West, and the opportunity to build bridges to the East;

2. An opportunity to transform the economy;
3. Federal assistance, especially for the economically weaker and most affected area, that is, Slovakia;
4. Cultural affinity and diversity;
5. Trying out openness (nonisolation);
6. Neutralization or weakening of certain negative trends and more favorable conditions for favorable trends; knocking the edges off clericalism; limiting the cult of neo-Slavicism, improved chances for the civil principles, civil rights, and the liberal approach; and a better chance for a peaceful life for the Czech minority in Slovakia and the Slovak minority in the Czech lands;
7. A greater chance for parliamentary democracy and intolerance (there is already an emphasis on the civil principles, the legal state, a European orientation, greater individualism, and the liberal approach).

A significant historical difference is that both national entities understand the nature of a joint state entirely differently. While the Czechs rapidly identified with the idea of Czechoslovak statehood and understood it to be an expansion of the original idea of Czech statehood, in the Slovak mind there was more emphasis on an agreement, contractual relationships, equality, and autonomy. Nonfulfillment or inadequate fulfillment of these Slovak ideas make up, together with their nondemocratic expression in the Slovak state, a considerable portion of the background of today's relationships. They are also a question not only of the equality, but also of the equal value. It is generally true that it is difficult to maintain partnership relations when equality is connected with a difference in the level of performance. Here we have in mind, despite all the historical drawing closer together, those cases where there are different levels of performance in the economy, in entrepreneurship, in openness to the world, in knowledge of languages.... Communication "tunnels"; the indulgence of a guardian; a frequently weak insight into Slovak problems; the direction of Czech attention rather to the West, at Europe; a weak or absent desire for deep mutual levels of information; all this results in the actual partnership relations being a difficult variation of coexistence. For this we need both the one-time decision and "rearranging matters" and the mutual and everyday meeting of the terms of the partnership.

#### Joint Venture Legal Aspects Summarized

92CH0136A Prague SVET HOSPODARSTVI in Czech  
27 Sep 91 pp 1, 2

[Article by Jitka Ebenova, doctor of jurisprudence: "Joint Ventures Involving Foreigners—An Overview of Laws Regulating Various Versions of 'The Joint Adventure'"]

[Text] Do not tell me that this does not concern you. The moment any kind of foreigner crosses your path, including your own formerly emigrated relatives, you are also involved. And it does not matter that the foreigner does not own the Volkswagen factory and that you only own the Skoda factory. The difference is merely in the

quantity; the quality remains. The instant you meet a foreigner—be it a foreign national or a company permanently resident abroad—you may begin a joint adventure with him—in other words, you may join him in a joint venture in an unending number of variations.

To the extent to which a foreigner wishes to engage in entrepreneurial activities in our country and with you, try to ascertain the size of his capital investment he intends to make and how he visualizes this whole affair. Joint ventures—in other words, cases where a foreigner together with a compatriot (that is to say, a citizen or a corporation domiciled in Czechoslovakia) establish a commercial company, represent only a small portion of all entrepreneurial contacts with foreigners. The majority of entrepreneurial intentions can be solved in a simpler manner.

A frequent case involves intentions on the part of a foreigner to entrust a compatriot with a certain sum of money. To the extent to which he loans this money at a fixed interest rate, this situation can be solved by a loan contract. Similarly, it is possible to borrow a thing. In the event this foreigner demands a share in the profits (provided there is a profit), we approach that which our economic code calls a silent corporation. In this case, "someone, by making a property deposit, empowers another individual to engage in entrepreneurial activities (an entrepreneur)." That "someone" is in no way more closely identified, so that, theoretically, it can even be a foreigner if he is capable of acting consciously. The deposit of a silent partner becomes the property of the entrepreneur and their relationship is regulated by an agreement on establishing a silent partnership. A silent partnership is not recorded in the enterprise register and, thus, is not a "pure-blooded" commercial corporation.

If the foreigner intends to participate in the joint venture with more than a property deposit, he is considering one of the commercial corporations which are registered in the enterprise register. These are corporations with limited liability, limited partnerships, corporations limited by the number of shares they issue, and general commercial corporations, which are, however, regulated very incompletely in the economic code, and corporations, which have "their own" law on corporations.

The most frequent case involves a corporation with limited liability. It is so-called because its stockholders are only liable to a limited extent—namely, the value of their deposit in the corporation. In the event the corporation finds itself in bankruptcy, the stockholder can, at a maximum, lose only that which he has invested in the corporation; his other property remains intact.

A joint-stock corporation is actually a more "refined" corporation with limited liability, having many stockholders (they can be in the thousands). In order for this corporation to be able to function at all with such a large number of stockholders, and so as to provide maximum protection for the stockholders, the law itself already stipulates an entire series of detailed substantive and

procedural matters. The stock certificates certify the share in the corporation which the stockholder owns. The stockholder may sell these shares—and sometimes even very easily. The stockholder's property rights become separated from his direct share in the actual management of the corporation. Given a large number of stockholders, it is not even conceivable for all of them to participate in the ongoing management of the corporation directly. A stock exchange, a capital market, stock-brokers, speculation—these are only consequences of the above.

Because the establishment of a joint-stock corporation, including the issuance of stock certificates, is a relatively demanding affair, this form of corporation is not viable where only a small number of stockholders is anticipated, particularly if their numbers are intended not to increase further.

Both of the above listed corporations have legally established minimums for their basic capital. These are 100,000 korunas [Kcs]; for each stockholder, then, there must be a minimum share of Kcs20,000.

In a general commercial corporation, there is no need for basic capital and the law does not stipulate any minimum limits. Theoretically, there need not be any capital. In such a case, however, the shareholders pledge their entire properties.

Both types of limited liability corporations are a "cross" between a corporation with limited liability and a public commercial corporation. At least one stockholder must provide an unlimited guarantee; the others only provide guarantees commensurate with their investments. In case of a limited liability corporation based on shares, the capital of the stockholders providing limited guarantees is divided into shares and their situation is similar to the situation of stockholders in a joint-stock corporation.

All of these "pure-blooded" commercial corporations have their analogues in developed nations, but their legal regulation in those countries is far more complete and agreements regarding the establishment of corporations run to tens of pages. The law on commercial corporations (the so-called corporation law) has become an independent branch. In this case, a foreigner will thus always know what is involved. This is all the more reason for a compatriot to seek the consultation of a specialist wherever there is an agreement to establish a corporation and where there are corporate statutes. Our laws have totally failed to resolve a number of questions, for example, the settlement of stockholder claims following the bankruptcy of a corporation, the misuse of "privileged" information (so-called insider trading), any competitive activities on the part of the stockholder, and many others. What is also dangerous is the fact that many years of the absence of such corporations in this country has resulted in not only the public, but very frequently even the legal profession having lost the feel for commercial corporations and their affairs.

Up to this point, there is no difference between corporations in which all stockholders are Czechoslovak nationals and corporations where at least one stockholder is a foreigner. These cases are dealt with by a special law—the law on enterprises with foreign property participation. This law assigns certain obligations to corporations with foreign stockholders—for example, bookkeeping control conducted by auditors or the creation of a reserve fund. However, even a commercial corporation which has a foreigner as a stockholder continues to be a Czechoslovak corporation, fully subject to all Czechoslovak laws, that is to say, the foreign exchange law, the labor code, the economic code, etc. However, in one matter it is advantaged. Where the share invested by the foreigner amounts to more than 30 percent of the basic capital, such a corporation has its income tax rate reduced from 55 percent to 40 percent. The share of the profits, the share in the liquidated remainder of the corporation, and the entrepreneurial remuneration is transferred, without a problem, to the foreign stockholder abroad. In a number of cases, this individual is protected by special international agreement regarding the avoidance of double taxation against these incomes being taxed both in the CSFR and also in the country of his domicile (Federal Republic of Germany, Austria, the Netherlands, France, Belgium, Great Britain, Italy, Sweden, etc.). In the remainder of the cases (for example, those involving Switzerland), the problem is resolved by the Customs Administration on an individual basis. A similar method is used to protect Czechoslovak nationals engaged in entrepreneurial activities abroad.

Only together with a foreigner can a Czechoslovak national establish a type of commercial corporation which is unknown, even abroad—namely, an association in accordance with the law on international trade—which is registered in the enterprise register. Its analogue is a consortium in the economic code or a special-interest association, which is also recorded in the enterprise register, and in which stockholders may be only Czechoslovak nationals. An association in accordance with the international commercial law was an escape route for joint ventures which did not wish to become joint-stock corporations during the time prior to the amendment of the economic code, an amendment which once more resurrected commercial corporations. Associations involve limited liability and do not require a minimum basic capital.

Stockholders may invest not only money, but also material things in any kind of corporation, including mental materials (know-how, licenses). Even though this is not clear from the law, the registry court requires for such investments to be evaluated by a court expert witness (proof of the value of the investment) in harmony with the civil code, which regulates the proceedings before the registry court.

Every commercial corporation must have at least two stockholders, with the exception of joint-stock corporations and corporations with limited liability. In other

words, it can be deduced, and practice also confirms this, that a Czechoslovak commercial corporation can have only a single stockholder and that he could be a foreigner. This is then an enterprise with 100-percent foreign property participation. The establishment of such a corporation makes it possible for a foreigner, for example, to purchase real estate, which would otherwise not be permitted for a foreign exchange foreign national according to the foreign exchange law. This reason is sometimes the sole reason for establishing a corporation in Czechoslovakia.

A foreigner can participate in entrepreneurial activities in Czechoslovakia even through many other methods and is not compelled to invest his capital immediately. This is usually, in the final analysis, one of the last steps for him to undertake.

Most frequently, a foreigner will become involved in foreign trade relations. This must not necessarily be only the importation and exportation of goods; we also have leasing operations, forfeiting [as published] operations, linkage transactions, coproduction, counterpurchase agreements, franchises, barter agreements, and, finally, even associations which are not registered in the enterprise register and contracts which are “custom-cut” for one or another entrepreneurial interest. All of this is regulated by the international trade code which addresses foreign trade relationships in cases where the agreement with the foreign entity contains a clause stating that the agreement and relationships resulting from it are governed by Czechoslovak law. The Czechoslovak national must be entered in the enterprise register; otherwise, he may engage in foreign trade activities only through a middleman.

A special type of foreign trade contract is an agreement on commercial representation. A foreigner can empower a Czechoslovak national with such an agreement, provided he is entered in the enterprise register, and entrust him with representing him in the CSFR. To the extent to which a certain territory is operated only by a single representative, this is an exclusive (general) representation; in the event there are more representatives, this will be a nonexclusive representation—something which must be specifically stated in the contract. (A similar contract can be concluded—and is being concluded more and more frequently—by a Czechoslovak national with another Czechoslovak national.)

A foreign national need not rely only on a Czechoslovak representative; he may open even his own commercial representation in this country on the basis of permission granted by the Ministry of Trade of the Czech Republic. However, he continues to be a foreigner and may not engage in activities which require special permission, as long as he does not have it (for example, a branch of a foreign bank may not engage in banking activities without permission).

We have become accustomed to perceiving joint ventures as foreign capital in our country, but enterprises

with foreign property participation have their mirror image and their far older counterpart in Czechoslovak property participation abroad (so-called affiliations) which were, for the most part, established by foreign trade enterprises. On the basis of permission by the Czechoslovak State Bank, a Czechoslovak national may place his capital abroad, his corporation becomes, for example, a German corporation, and is governed by the laws of the given country. Among others, there are tax and customs advantages, the concealment of the origin of goods, and other entrepreneurial peculiarities.

On a worldwide basis, this is a very extensive manifestation. A nice example can be seen, say, in the 10 joint U.S.-Japanese enterprises in the United States in the automobile industry, efforts by American producers to share in the importation of Japanese automobiles to the

United States. The Japanese have no interest in problems involving the import of American automobiles into Japan and, thus, do not even have such joint enterprises in Japan. Moreover, in the United States, their joint enterprises are advantaged—in the words of Lee Iacocca, who is at the head of the Chrysler Corporation, they are “garlanded with tax relief like a Christmas tree has garlands of candy.”

A joint adventure with a foreigner is actually not so complicated as it looks. If you should desire to engage in it, try mainly to clarify for yourself what the entire affair will look like from the substantive standpoint and try to get your future partner to provide the maximum of information, including proposals for a contract and other documentation. Then, try to find as simple a solution to the entire matter as possible; it is not necessary to go about establishing a joint enterprise immediately. Perhaps the following table will assist you in your endeavor.

Form of Collaboration	Joint Enterprise (Enterprise With Foreign Property Participation)	Foreign Trade	Commercial Representation
Foreign national alone in the CSFR	Law on enterprises with foreign property participation, No. 173/88; law on joint stock companies, No. 104/90; the economic code, No. 109/64, all in their valid versions		Law on economic contacts with foreign countries, No. 42/80 (in its valid version)
Foreign national plus Czechoslovak national in the CSFR	All of the above, plus international trade code, No. 101/1963	Law on economic contacts with foreign nations, No. 133/90	International trade code, No. 101/1963
		International trade code or the commercial code of any country in accordance with the agreement involving the foreign national	
Foreign national plus Czechoslovak national abroad	Foreign exchange law, No. 528/90, plus laws applicable abroad	Foreign exchange law, No. 528/90	International trade code, No. 101/63
Czechoslovak national abroad	Foreign exchange law, No. 528/90, plus local laws		Local laws

### Riverine Ecology Discussed at Roundtable

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[Roundtable discussion reported by Eng. Mikulas Buleca and Eng. Petr Soukup: “Will Streams Remain Sewers? EKONOM’s Roundtable on Waste Water”—first paragraph is EKONOM introduction]

[Text] Water, taken for granted by many of us, is something to which we do not give much thought. An indispensable condition of life and a basic component of our environment. But suffice it to look at the streams running by our villages and towns and we will understand the need for giving them radical protection. So we asked experts how they evaluate the current state of affairs, what measures are being readied by the government and how these measures will be reflected in practice. The roundtable participants were:

Eng. Jan Bartacek from the MZP CR [Czech Republic Ministry of Environmental Affairs] department of water quality protection; Eng. Ivo Cerny from the MZ CR

[Czech Republic Ministry of Agriculture] department of water management; Eng. Jan Chudy, head of the MZP CR territorial section for the central Bohemian region; Eng. Jaroslav Kinkor, director of the MZP CR department of water quality protection; Dr. Jiri Kolar from the kraj hygienic station; Dr. Jaroslava Nietscheova from the MZP CR department of water quality protection; Mr. Pavel Novak, representing the mayor of Nymburk; Eng. Jaroslav Ruzicka from the MZP CR department of compliance oversight; Eng. Petr Soukup from the MZP CR territorial section for the central Bohemian region.

[EKONOM] The condition of our water streams is deplorable. It is known that in many places housing construction and industrial plant reconstruction was not permitted because the locality lacked a water purification facility. Completing sewage systems and building purification plants will take years. What in the meantime?

[Soukup] Just briefly to start with. The law No. 138/73 on water quality, also known as the water law, says that everyone who produces waste water is obligated to

ensure that it is removed and purified. The purification standards are defined in government decree No. 25/75 which sets forth the permissible concentration of pollutants in the effluent. From this is then derived the permissible concentration of pollutants in the purification plant's discharge. The law in fact formulated the desired final result but its achievement was demanded virtually forthwith. The law allows the republic government to permit exemptions in exceptional cases and agree to waste water discharge contrary to the law in a specific locality or by a specific polluter. The discrepancy between the existing and legally required practice was so great that the exemption became the rule. Polluters began to abuse the opportunity to claim an exemption rather than seek practical solutions. In October of last year the present Czech Republic government decided to terminate exemptions still in effect as of 1 October of this year and abstain from exercising its power to grant new exemptions. Thus a community lacking a sewage system and an adequate treatment facility should first see to have them built to enable its builders to carry out their projects, or the builder will have to assure on his own that his waste water will be treated.

[Chudy] I believe that the root cause of all the present problems which we are surely about to discuss here is noncompliance with the law from the very beginning. The exemptions were granted solely for the existing sources of pollution but were used in contravention of the law for new housing construction, new sources and the public became accustomed to the idea that the community obtained the exemption for new construction projects.

[Kinkor] I should like to return to 1973 when the water law and other pertinent regulations were being drafted. It was a period of planned economy and water management, if I may put it very simply, was viewed as a branch of the economy whose primary duty was to satisfy the demands of the population, industry and agriculture and when the common denominator for all aspects of water utilization was the government. The government adopted the law, allocated or failed to allocate funds for its enforcement, monitored whether or not it is being complied with, and it was the government which imposed a fine and the government which paid it. Thanks to the shortage of funds the discrepancy between the law and compliance with it persisted or even grew larger. Exemptions were granted, and as Eng. Chudy explained, often contrary to the law, to resolve this discrepancy. When there was a conflict between the demand for housing construction and the requirement to provide a treatment facility, priority was given to housing construction. At one time it went so far as presenting it as a conflict between the water law and the law on the five-year plan. Section 4 of the water law sets forth three obligations an investor must discharge: assuring supply of potable water, removal and purification of waste water. While the first requirement was met, one might say, to a hundred percent, the second to about 90 percent and the third almost not at all. I am not aware

of a housing project where a sewer system and a sewage treatment plant was built and drinking water was left out. But the reverse became routine practice.

[EKONOM] It might help to explain why we are talking so broadly about exemptions. Explain what it means in practical terms when the existing law is enforced regarding the discharge of waste water while exemptions are abolished and no new ones granted.

[Nietscheova] In general it is the job of the state administration, the water management authorities included, to ensure compliance with the laws of this state. The water management authority, the office responsible for the sewer system and the polluters—both industry and the citizens—ought to be aware where, in what localities they are not or as of 1 October 1991 will not be in compliance with the law. They ought to be aware that they are liable to fines for each day they violate the law. But the completion of a sewer system or an adequate treatment plant is not a matter of a few days. What then can an administrator do technically to avoid violating the law and thus the risk of continual fines? Stop the sewage outflow by blocking, walling up the sewers! But within a few hours this would fill the town or community with sewage because as long as people live there no way exists to prevent sewage water from collecting. For now it is impossible to resolve this discrepancy between the requirements of the law and realistic prospects of meeting them without the exemptions. At least I do not know of any other way to resolve it.

[Novak] Construction of a sewage treatment plant is for each town or community which lacks it a truly limiting factor in regard to development, jobs, the social sphere. This involves not just housing construction but also industrial development, establishing new enterprises. For instance our town Nymburk has an opportunity to build a large food-processing complex because we are in the center of an agricultural region, but we can not do so because we lack a water purification plant. But how could we finance it when the town is short of funds? To borrow 150 million korunas [Kcs] on terms offered us by the bank would be our suicide. The town could not bear this burden. It is not that we want to shirk our duty to put up a part of the necessary financial outlay but the whole amount that is required is beyond our means. So we regard it as necessary to establish a project for financing the construction of sewage treatment plants; in all advanced countries the state accepts a share in such projects benefiting the public. Today the situation is—the state has no money, the community has no money and how can we get out of this? And there are no exemptions. Just comply with the laws.

[Kinkor] It was as if sewer systems and treatment plants were disjoined from the process of housing and industrial construction. A factory was built but the sewage treatment plant, that was an ecological project and work on it proceeded as if it did not belong to the factory. Yet it would not have occurred to anyone when a factory medical center was set up there that it did not belong to

the factory and that it ought to have been funded by the Ministry of Health. And let us look at it once more from the perspective of housing construction. For instance Jizni Mesto in Prague has a population of some 120,000, making it a large regional city. It should have either its own sewage treatment plant or there must be a plant with sufficient capacity for the whole of Prague. I do not know how much Jizni Mesto has cost and what percentage of this cost would have been attributable to a treatment plant. One day we made a calculation and came up with Kcs5,000 per apartment as the required share of treatment costs. Moreover I heard recently that it costs Kcs10,000 to replace a umakart core, Kcs2,000 to install a telephone connection, and is anyone wondering?

It is also a question of people being better informed. Let me cite an example—can anyone imagine that the office issuing building permits would tell the prospective builder of a family home who comes with a project according to which he would pour his sewage into the street every day that he had a nifty arrangement, here is the permit duly stamped? Of course not. And what are the hundred thousand people in Jizni Mesto doing, isn't it actually the same thing? But there it involves billions and until now the state and state administration have always pulled back.

[EKONOM] From the conversation thus far it emerges that the legislation in regard to the discharge of waste water is correct in principle but that compliance with it is a matter of several years during which the necessary measures must be undertaken. However, the financial means to do so are lacking for the time being. So what now? What is your view of how we should proceed in the given situation, what legislative measures are under consideration by the MZP CR and MZ CR?

[Kinkor] In the first place it is necessary to abolish the relation of the state versus the state, so that the state is no longer simultaneously the producer of pollution, legislator and oversight authority. Secondly, responsibility must be decentralized downward, to the municipalities which however must be granted along with this responsibility corresponding powers and opportunities, naturally also in the financial sphere. While the demands on municipalities will increase substantially, it is nevertheless the most viable and fastest road to improving the given locality's environment. Our colleague from Nymburk mentioned the need to work out a model for financing sewage treatment plants. I see the basis for resolving the problem in a new tax system. Other possibilities include preferential credits, local industry contributions and so on. But those 80 to 100 percent state subsidies to which we have become accustomed have no parallel in the world; in Germany it is between 20 and 40 percent, in Denmark the state grants no subsidy at all. We must recognize that the needed volume of financial means is not available because just sanitizing waste water requires roughly 200 billion. We assume that most of the fees collected in water management would remain dedicated to resolving water management problems in the given locality, with only a part going to the central

fund. But that is not enough, and therefore we will have to adopt a system of gradual steps as is customary in the world.

[Nietscheova] The present regulations concerning sanitization of waste water were drawn up in 1973 but since that time have become detached from reality to such an extent that we have no choice other than going back to it once again. Otherwise efforts to comply with them would lead to the kind of absurdities I have mentioned. We must bring the legislation closer to the existing state of affairs but by no means adjust to it.

[Kinkor] By its decree No. 280 of last year the republic government abolished exemptions and at the same time directed amending the government decree No. 25/75. This is the regulation which defines the ultimate target for water quality in a stream, from which the calculation is derived back to the requisite level of purification. Instead of this so-called immission principle virtually all Western European countries use the emission principle. This means that they set the desired quality of the effluent discharge at the end of the purification process. MZP has prepared a practical proposal of this emission system for government consideration. We propose a combination of the emission and immission principle. The one binding on the water management authority will be the emission standard, that is the quality of water being discharged from the treatment plant.

[Bartacek] The government's handling of the matter—abolition of the exemptions and change in the implementing regulations—was not, as it turns out, the most auspicious. It is like trying to build a house from the roof down. The public now believes that amending No. 25 will resolve everything, there will be no need for exemptions, everyone will be in compliance with the law. In reality the need is for rewriting the water law and in conjunction with it create a system of laws and regulations including the indispensable linkage to the economy. In my opinion the amended No. 25 is of a transitional nature, even though it involves a fundamental change in the standards of evaluation. But the emission principle should remain permanently applicable. It is open, meaning that we assume the numerical and value standards may be changed, broadened or possibly tightened with improved knowledge and technical possibilities. Very important is a substantial evolution of power from the center to water management authorities, okres, and local government bodies.

[EKONOM] But let us recognize that this will be possible only in communities where there already exists some discharge of sewage, that is, where they have at least sewers. The obligation to assure treatment of waste water remains untouched and without meeting this requirement no construction or reconstruction project may be permitted. So where do we go from here?

[Soukup] Drawing a line under the present state of affairs and doing nothing to exacerbate it further, proceeding from it as the basis for a new approach are probably the only possible avenues. But experience has shown that when the requirements are unrealistic they fail to achieve effect. Hence we agree to an appropriate degree of tolerance. It is a knife-edge position—between unrealistic strictness and excessive tolerance leading to the polluters' passivity.

[Kinkor] I will return once more to the legal requirements relating to the standards of waste water purification. As the water law puts it, the polluter is obligated to provide treatment in a manner corresponding to the current level of technical progress. What is meant, though nowhere spelled out, is mechanical-biological treatment which is capable of handling organic pollution. But today we already know that our waters are threatened, often more substantially, by other materials, nitrogen, phosphorus, heavy metals, toxic substances and the like. Here a major role will fall to bodies of the state administration which must take care that a technical solution will not make impossible the handling of this kind of pollution. So that current level of technical progress cited in the law is being pushed forward.

[Bartacek] When applying for a permit to discharge waste water its producer must present documentation showing that he will not only meet the present level of technical progress, that is, of mechanical-biological purification, but also that he will be able to gradually handle the other components of pollution which we discuss here.

[Kolar] I would like to weigh in with the perspective of a public health official which considers the harmful effects of materials. It depends on the concentration or the duration of exposure or both whether or when their negative effects will show. The situation in handling harmful materials will surely improve when the new economic relations take effect. The manufacturer will have to weigh whether producing harmful materials will pay or not, because protection against their effects will certainly be very costly.

[Soukup] The demands on sewage treatment will increase in the near future. Higher demands mean more complicated technology and better trained personnel. This can be managed in the larger treatment plants and hence the push will be logically for centralized efforts—treatment plants for the community and group plants for several communities. Owing to the present state of the law and the financial possibilities we see currently a more or less uncontrolled trend in precisely the opposite direction: constructing small, building-size treatment plants. Their cost ranges in the tens of thousands of korunas, they are easily built into the structure and thus represent a relatively accessible solution. The problem is where to dispose of the treated water and how to ensure the quality of their operation. An administrative ban on the construction of building-size treatment facilities is not right in my opinion. Promoting central treatment

plants is a matter of economic incentives and functional requirements. It is a pity if "hard-to-find" financial resources are squandered on a solution which does not have a future.

It is true that building a treatment plant and a sewer system as a complete unit is tremendously costly. But the lion's share goes to the sewer system, in terms of cost, time and construction requirements; only a fraction goes to treatment. A sewer system without a treatment facility is not operable. Therefore one has to begin with a treatment plant. When completed I can use it for instance for sanitizing cesspool waste. So it can be at the same time a source of income for its owner who may in time gradually earn enough money perhaps for completing a sewer. We already know of such plans, it is a rational way to proceed for after all 60 percent of the former Central Bohemian Kraj's population have cesspools.

[Kolar] We are talking here mainly of the big sources of pollution. But public health people have somewhat different criteria than the water management folks. Important to us is for instance a village of 500 inhabitants when down the hill from it there is a heavily frequented recreation area. From our perspective this may pose a bigger problem than a large town on a river. Therefore the building size and small treatment plants have their justification, even though they are not a panacea.

[Ruzicka] So far we have not discussed industry. Its situation as well as that of the farm enterprises is marked by unclarity of prospects, in terms of both ownership and job structure. In the industrial enterprises there is a persisting lack of knowledge about the effluents being discharged, about the relationship between the quality of materials input and the quality of outlet. Already today the enterprises should be preparing for new requirements. At the minimum by improving their knowledge of the present state of affairs, eliminating dishonesty and shoddiness in documentation. They ought to recognize that impreciseness will ultimately backfire on them as soon as they come under objective controls.

[Chudy] Anyone wishing to do business in the production sphere must realize that one of his obligations is responsibility for the waste water that is produced. He may decide for a separate solution in which case he will deal with the state administration as his partner, or he obtains agreement from the sewer authority and will process his waste water in the municipal treatment plant. In case he is connected to the municipal sewer system he will be required to observe the agreed limits on the quantity and quality of the waste water. He will also share in the investment and operating costs of the municipal treatment plant. But since industrial effluents as a rule degrade the purification capability of municipal treatment plants, in future it will be necessary to limit the quantity of industrial effluents and seek their maximum possible recirculation. Industrial enterprises must

realize that the tolerance justified by the need to meet plan targets has ended and that the law will be enforced consistently.

[Kolar] The method of rendering industrial effluent harmless is of importance not only from the point of view of potable water. For two years already we have been facing the problem of halting irrigation in the entire Labe watershed, minimally in the region of VCHZ [East Bohemian Chemical Works] Synthesia Semtin where a ban on irrigation with Labe water already exists. Halting irrigation in the former Central and North Bohemian krajs would cause hundreds of millions in damage because it is where vegetable production is concentrated. Labe river water contains special organic pollutants rated highest in harmfulness by the World Health Organization. The pollution of Labe by industrial effluents is a problem that has not been addressed for decades and merely put off from one five-year plan to the next. This can not go on.

[Kinkor] And yet we are still talking only about point sources. Now think of the broad-based sources, agriculture. The handling of fertilizers, pesticides, overfertilizing and so on—these are quite some sources of pollution. The ecological production envisaged by the agriculture ministry aims at affecting 4 percent of land as its ultimate goal, and that is wholly insignificant. Ecological farming ought to concentrate on protective belts along water resources. In practical terms this means nothing else than farming according to the principles of our forefathers.

[EKONOM] We should now at least suggest what a polluter ought to do.

[Soukup] If I were for instance a mayor, without regard to when the new regulations come out and what they may say I would begin to work on a concept of sewage outlets and treatment of waste water in my community. After all, I will need it in any event. Money will surely be found to prepare this study. I would certainly not do it in the old way, hastily, because we are no longer being hounded by plan deadlines. In such an important matter the old wisdom of measuring twice and cutting once is well justified. I would have the concept worked out in several variants and possibly even by several developers. Their proposals I would judge from the functional, operational, investment and supplier point of view. At present, unlike in the past when it was precisely the other way around, the first three will be decisive. All three will have an impact on the citizens' pocket in the form of sewer charges. I would inform the people of the community on all variants and explain to them the reasons why I selected one of them, possibly changing the choice according to their comments. Simultaneously with the work on the concept I would search for sources of financing. The community would be told also about the anticipated method of financing and I would also inform citizens on what the gradual steps will be in carrying out the project. With the concept and documentation on the

method of financing I would go to the water management authority and ask them for a date by which compliance with the law is to be achieved. I would choose the supplier through a bidding process and during the construction see to it that both the citizens and the water management authority are informed on the work's progress and can verify that the intermediate stages are on schedule.

A correct choice of the solution is and will be of major importance which will be reflected in the community's economy. Here I see a considerable danger because there will surely be popping up quite a few entrepreneurs and enterprising individuals in a sector neglected for so long and at the same so promising for the future. The danger is that a practical proof of the correctness of the solution will come only when the system is in operation, which is in about five or more years from the start of preparations. Chances for a repair are by then limited and an unreliable entrepreneur may have caused further damage during this time. In a sector where we are struggling for financial resources we should however have some guarantee that we are expending them wisely. In my view it is necessary, at least for the period of transition to a stabilized market economy, to create for investors and also producers a system of verification for new technologies and equipment. In regard to small treatment plants we have a test polygon operating already for many years in Brno; verification tests for large treatment plants are to be conducted systematically beginning in 1992 by VUV [Water Management Research Institute] in Prague. The results of verification ought to be made public. They should serve as help to investors in making their decisions; however, the equipment and technology should continue to be guaranteed by the producer, supplier. If the construction is financed by the investor from his own resources it should be up to him whether he will respect the verification results. But if the state participates in the financing either in part or wholly, the verification results should be guiding.

[Kinkor] I would separate it into two levels: First—the community's responsibility based on a market relationship between it and the producer or supplier; second—a guarantee for the state that if it contributes to the project there is assurance of the desired result.

[EKONOM] What then will be the future structure of relations in the area of water protection and use?

[Kinkor] In regard to the so-called small water the subjects can be separated into three spheres each of which should have clearly defined rights and obligations: the state, owner of water as a natural resource; the community as administrator of water resources, drinking water supply and sewer systems, and the citizen, as water user. We have talked a great deal about the role of the state—it sets the rules of the game and guarantees preservation of water as a natural resource. The community's job is to assure the supply of drinking water, removal and purification of waste water; it has the power to choose the means by which to meet this responsibility. The citizen will use water for a fee.

**Opposition Leader Peto: MDF's Strength Growing***92CH0152A Budapest FIGYELO in Hungarian  
14 Nov 91 p 13*

[Interview with Ivan Peto, leader of the Alliance of Free Democrats faction in the National Assembly, by Gabor Karsai; place and date not given: "Will the Members Devour the Party?"]

[Text] In an interview he gave our paper 18 months ago (FIGYELO No. 12, 1990), Ivan Peto said that populism and uncritical acceptance of authority could not be imagined within the SZDSZ [Alliance of Free Democrats] because it, unlike other political parties, first framed its program and only then organized itself. But his present interview indicates that there already is a struggle within the party to prevent the dominance of populism and of the uncritical acceptance of authority.

[Karsai] What is happening now within the SZDSZ?

[Peto] The fact is that 18 months ago I was mistaken when I said that the party program was not merely a symbol for so many people. I did not think that political objectives could be vulgarized to such an extent. Nor that slogans, often misunderstood, determined who supported us. I did not believe that the change of regimes could be simplified to such an extent into anticommunism and anger at individuals. On the other hand, it was clear to me already before the local elections that people who claim to hate even social democracy are able to reconcile this hatred with demands for the restoration of socialism's so-called achievements, and even of the mechanisms guaranteeing those achievements. In other words, there is more confusion in the minds of people than I suspected.

I did not anticipate that in "normal" times—i.e., when there are no election campaigns—the stable portion of the population withdraws from day-to-day politics, and mostly those individuals remain politically active who find it more difficult to fit into society. The relative proportion of this dissatisfied stratum, which seeks everywhere someone to hold responsible for its own bad mood, has increased also within the SZDSZ. In the person of Peter Tolgyessy these people have found a politician who does not reject their aspirations and illusions, although—in my opinion—he is neither promising nor advocating what they would like. This is a peculiar concurrence, because a personal ambition is associated with the members' belief that the happy period of the "four Yeses" [referendums], of the SZDSZ's successes, can return.

[Karsai] It seems that, for at least a year, a see-sawing debate over the substance of opposition politics has been taking place within the SZDSZ. Last October, after the departure of the radicals Peter Tolgyessy and Gaspar Miklos Tamas, at the time of the taxi strike, the more moderate Janos Kis called upon the government to resign, but a month later he spoke of remaining in

opposition for the long term. But Gaspar Miklos Tamas wrote about breaking up the ruling coalition that was eroding anyhow, and I heard of such objectives from other SZDSZ leaders as well. In February of this year Janos Kis adopted this view—many people claim that he did so merely as a result of the tactical struggle within the party, to demonstrate his determination—and declared that the SZDSZ would be not just the government's opposition but its adversary as well. He also announced the rapid elaboration of an alternative program for warding off the crisis. But a few weeks later Marton Tardos spoke of the Kupa Program with sympathy. In the end, the elaboration of an expert program for warding off the crisis was in vain; an opposition party did not really need such a program, and it was not what the dissatisfied party members wanted. Tolgyessy was quick to grasp this when he criticized the document for its failure to adequately articulate the citizens' views. Thus the maneuvering realists fell into a trap. Do you find this interpretation of the events acceptable?

[Peto] There is some truth in it. At the time of the taxi strike, however, we were demanding credible people in the cabinet, and nothing was said explicitly about the government's resignation. But that demand does not fit into the series of political steps that might have hesitated between appeasing the radicals and confronting the real situation. It is inseparable from the moment that practically threatened civil war.

The very reason why Gaspar Miklos Tamas did not accept any meaningful political position within the SZDSZ was to avoid having to curb his soaring ideas and inspirations, through the self-restraint that leaders inevitably must exercise.

In early February of this year, I believe, few people suspected that the MDF [Hungarian Democratic Forum] would succeed in strengthening to such an extent its own power and that of the coalition. There was practically no sign then of any economic program and economic legislation; the collapse of our eastern markets foreshadowed a severe crisis; and also the coalition could be expected to fall apart over compensation-related matters. And within the SZDSZ the radicals became more vociferous as a result of our success—unexpected, I now admit—in the local election. The mechanism of voting for the opposition in protest against bad government was still functioning then.

So far as the elaboration of the program is concerned, that was something the party members had particularly wanted, and it was not possible to keep resisting them endlessly. Otherwise—accepting also your criticism of the "maneuvering realists"—my opinion is that it would have been wrong to disregard the government's situation during the past year and cling, say, to our original assessment after the general election or specifically to our February assessment.

[Karsai] Did not the elaboration of the program divert the SZDSZ's attention too much from current political

issues that were nevertheless of great importance? On compensation, for instance, which was one of the most significant legislative issues last spring, the SZDSZ did not have a clear standpoint; and the concept of citizens' vouchers backfired, because it had been tossed in without adequate preparation.

[Peto] The SZDSZ has indeed committed political mistakes, and one of the biggest mistakes among them has been the disastrous handling of compensation. This, too, was partially a result of the radicals' attitude; we believed them that the demand for compensation was stronger than we had thought. That is why we did not dare to adopt the FIDESZ [Federation of Young Democrats] standpoint, which unambiguously rejected compensation on the grounds of economic rationality. Incidentally, I still think that the concept of citizens' vouchers deserves professional consideration even today; but the way we introduced and advocated that concept was an enormous blunder.

[Karsai] Last week the SZDSZ also abstained from voting on suspending the statute of limitations, while FIDESZ, for instance, voted against suspension. Was this a concession made to the radicals?

[Peto] The fact is that a "let us settle old scores" mood is perceptible among a part of the SZDSZ membership and even in a small proportion of its deputies. While the MDF is yielding gradually to such sentiments, which can serve to overshadow real political problems, we do not agree with doing this.

[Karsai] To what extent are the views of SZDSZ members in agreement with the voters' views?

[Peto] There are considerable differences. According to the results of surveys, there are much greater differences between the members and the leadership, or between the members and the voters, than there are between the leadership and the voters. That is reflected also in the league tables, in the popularity ratings of politicians. There are even instances of SZDSZ organizations with members holding views so extreme that they simply scare off fellow travelers. Some of my colleagues are saying, with a measure of irony, that it is easy for FIDESZ, because it has no members.

According to Togyessy, the SZDSZ ought to be more patriotic, more Christian, and more sensitive to social issues, in order to become more popular. But I doubt that we would be credible if we attempted to be more patriotic than the so-called nationalists, and more clerical than the clericalists. We would not even be in a better position to refute attacks against us, because even up to now such attacks—for instance, that the SZDSZ is against religion and lacks patriotism—have been based mostly on slander and libel. And in the area of social welfare it is not possible to responsibly promise many good things. Claptrap might soothe the members for a time, but we have to concentrate on the voters.

I am convinced that a significant proportion of Hungary's voters do not want the kind of Hungary envisaged by the MDF; in other words, that they reject uncritical acceptance of authority, right-wing conservatism, and at least emotional identification with the solutions tried between the two world wars. I do not know how these masses are distributed among FIDESZ, the MSZP [Hungarian Socialist Party], and ourselves. But I am now experiencing how much authority the SZDSZ really has. Many of my acquaintances who are not SZDSZ members have been asking me: Who will oppose the MDF government's steamroller if the SZDSZ plunges into a crisis? I am certain that the political importance of the SZDSZ is much greater than what the figures of the latest opinion poll indicates. For us its results were horrible.

[Karsai] To what do you attribute the MDF's ability to stabilize the coalition's and its own power, in spite of the February expectations?

[Peto] This coalition is based not on adherence to principles, but on clinging to power. And it must be admitted that Jozsef Antall is skillfully exploiting this possibility in his politics. He really has no rival among his present coalition partners.

In February it was not yet possible to foresee that the Smallholders, in order to remain in power, would yield even on reprivatization, the only striking plank in their program. It was not yet clear that the MDF would undergo such a change, becoming a more conservative but also more pragmatic party, capable of pursuing a more rational economic policy than had been expected. Nor could we anticipate that in the end the MDF leadership would be able to maintain control of its members through one or two political gestures. The international situation is also enhancing the government's standing. The fact that the situation of the Hungarian minorities is now alarming also in Yugoslavia and Slovakia strengthens the position of a government that is playing politics with national sentiments. That living conditions in Central and East Europe are the best in our country, similarly as during the Kadar era, produces the same result. Due in part to this, the country and the prime minister personally have also gained favorable international recognition.

The institutionalization of the MDF's power is proceeding more and more vigorously this year. A significant proportion of the independent mayors are supporting the government; the county councils and regional prefects are likewise reinforcing the central government's control. Personnel changes are proceeding in state administration, and the number of MDF fellow travelers in economic posts is also increasing. A wide circle of MDF clients is beginning to take shape.

The prime minister is handling the populists within his party rather skillfully. As he once explained, he had two options in principle. He could shed his populists, but that would have made the already unstable coalition even more shaky. Or he could try to integrate them. Like

Adenauer, his role model, Antall chose the latter option. That option—although not to my liking—is feasible as long as the situation can be kept stable. But it is to be feared that this political logic will permit a gradual shift to the right, and allow populist methods to gain ground. (Numerous signs of that happening can be found in the Konya study, for instance.) But the fact remains that the government is maintaining control of the processes for the time being.

[Karsai] Under these conditions, how much scope is there for the SZDSZ?

[Peto] As much scope as up to now, but we obviously will have to make better use of it. According to Tolgyessy, incidentally, we "overreacted" to the Konya study. In my opinion, however, one cannot overreact when the leader of the MDF faction advocates such views, and even the presidium of his party supports him.

Also civil society ought to be brought into motion somehow, and the Democratic Charter appears promising in that respect. The fact that by last week 1,500 persons signed the Democratic Charter, and were willing to go public by giving their addresses as well as their names, is certainly favorable.

[Karsai] The state-socialist and populist forces seem to be gaining ground throughout the entire East and Central European region. I ask you also as a historian: Is there some deeper cause behind their gains?

[Peto] It is difficult to answer your question. I would rephrase it as follows: Would we now be better off, had the SZDSZ come to power? We would have started off along a different path, but I do not think that the situation now would have been much better. But we could have offered a different outlook. Namely, the system of institutions that the MDF is now putting in place under the guise of the change of regimes is too state-socialist. We will have to remedy that when we come to power, but by then it will be more difficult to change.

[Karsai] My question also includes the following: Do you see any chance at all for liberal parties to gain power in our region?

[Peto] There are indications of a real danger that society will accept the present ruling parties, even though it does not like them; and that it will express its dissatisfaction by staying away from the polls, rather than by voting for the opposition. It is to be feared that the turnout will consist mostly of the ruling parties' clients. Consequently, real rotation of political parties in government will not develop. And that will conform to the traditions that exist in Hungary since the [1867] compromise.

At the same time we must realize that the SZDSZ is not simply a liberal party, but a social liberal one. In other words, it espouses also social democratic values. FIDESZ is similar, and the two parties jointly have a good chance of winning a general election. Perhaps the

best chance among the liberal parties in the region. But what that now requires first of all is that the members refrain from devouring the party.

### Compensation Claims Peak at Land Offices

92CH0175F Budapest FIGYELO in Hungarian  
31 Oct 91 p 27

[Article by Istvan Bence: "Compensation Peak at Land Offices"]

[Text] The 90-day deadline established by law for submitting compensation claims will expire in a few days. It was not known at press time whether parliament would adopt an amendment introduced by Smallholders Party representatives Jozsef Torgyan, Pal Dragon, and Miklos Borz that would extend the 8 November deadline by three months. The volume of petitions submitted at land offices in person or in writing, and mainly the large number of people who besieged those offices, appears to justify the amendment.

It would be too early to draw up a balance sheet, but the two-and-a-half-month period that has elapsed since the proclamation of the law provided sufficient information to summarize the experiences of land offices thus far.

From the standpoint of land offices, compensation began long before 11 August. Aware of future need, the gathering and organizing of old property and cadastral records had begun last fall. It should be said once again that the documents and papers involved are of a kind that appeared to have lost their significance as well as their moral and useful value forever (!) when uniform real property records were introduced, and as a result of then prevailing social and economic conditions. (We are talking about the early 1980's.)

Some documents had been deposited in archives and others in so-called cold archives. Many of the documents became moldy in moist cellars, and many were completely destroyed because they no longer had to be retained pursuant to law. Considering this background it seems a miracle that it was possible to find between 80 and 90 percent of the old documents.

Fortunately, the extent of damage suffered can also be determined from other documents (redemption determinations, written land offerings, contemporary records concerning real property to be redeemed, and so forth). Thus only a few people depart empty-handed from land offices. This is so, even though between 30 and 40 percent of the petitioners are able to provide only minimum indications needed for the "investigation" of claims, notably the name of the owner and the municipality in the area in which the land lay. In such instances they try to find the land record number (numbers) from personal registers—if those still exist. Absent such registers, all insertions in the land records of a given municipality must be reviewed individually. Thus, it is no wonder why the finding of one or another document takes days, not hours.

This search did not cause real concern in the days that followed the proclamation of the law because only a few claimants appeared. But the number of claimants increased as summer drew to a close and an increasing number of claims were submitted as the deadline for submissions approached. A particularly high level of interest has been noted in certain counties and cities; pressure is becoming unbearable in these places. For example, the Sopron land office receives 500 petitions daily, and as of recently people in Bekescsaba spend the night at the steps of the land office to be certain about being admitted to the office on the following day.

Land offices have extended their visiting hours; in many places they receive citizens for nine or 10 hours, and as of recently they remained open even on Saturdays and Sundays to enable them to satisfy petitions received by mail. At the same time one must not forget that they must perform their daily functions just as they did in "times of peace." Cancelling a mortgage lien or entering a notation regarding a change in ownership is just as important as providing data for compensation purposes.

According to latest information the number of petitions has already exceeded 350,000. Far fewer petitions had been received by claim settlement offices. The difference in timing may be explained by the fact that documents in addition to those found in land offices must be attached to damage claims, and even at that, one still has to complete data sheets. Despite the fact that various parties and organizations have opened client offices and have helped to complete forms, my experience indicates that many people have great difficulty in completing the forms. Others have not yet mailed their data sheets because they are still awaiting copies of documents that serve as proof of ownership.

Due to the unforeseen siege of the final weeks many land offices are no longer able to comply with the 30-day deadline to provide the required data. For this reason it

is important to know that it is possible to submit compensation data sheets until 8 November, even if documents which serve as proof are not available. The 8 November deadline is valid only if Parliament rejects the amendment that would extend the deadline of submissions, of course. In submitting incomplete documents one must attach to Form "A" at least a Form "F," "H," or "V" per type of property, depending on the type of property the claimant seeks compensation for. The maximum possible amount of data must be presented on these forms with a notation that accurate data and documentary evidence will be submitted during the period when missing documentation must be filed.

It appears that people are still not sufficiently familiar with the fact that producer cooperative members still "own" the land they used to join the cooperative with, because based on an earlier law these persons may take out their land from the cooperative. In contrast, producer cooperative members who in the course of land revisions received exchange land of a lower gold crown value for their original land and joined the cooperative with the lower value land may receive appropriate compensation for the difference in the value of the two pieces of land.

#### Cost of Maintaining MNB Reserves Questioned

92CH0175C Budapest FIGYELO in Hungarian  
31 Oct 91 pp 1, 6

[Article by F.K.: "Hungarian National Bank Reserves—How Much Do They Cost?"]

[Text] We were told by a reliable source that a concept and rule is being developed to govern the international reserves of the MNB [Hungarian National Bank] as well as to guide considerations related to reserve policies. The fact that the public must wait to hear the details before the central bank renders a decision in this regard is a matter of normal business policy.

#### Hungary's International Reserves and Other Foreign Receivables

(in billions of U.S. dollars)

	June 1987	June 1988	June 1989	June 1990	June 1991
Convertible foreign exchange	1.61	1.48	1.22	1.04	1.50
Nonconvertible foreign exchange	0.29	0.20	0.60	0.80	0.80
Gold*	0.52	0.51	0.50	0.10	0.10

\*Gold counted at a \$320 per ounce.

## Hungary's International Reserves and Other Foreign Receivables

(at the end of each period, in millions of U.S. dollars)

	June 1987	June 1988	June 1989	June 1990	June 1991
International reserves	2,449	2,178	2,292	1,969	2,390
Imports payable in convertible currencies	7,800	7,890	7,590	5,787.3	6,993.5
Convertible foreign exchange	2,159	1,976	1,725	1,166	1,604
Gold*	525	510	479	97	82
Foreign exchange	1,634	1,466	1,246	1,069	1,522
Nonconvertible foreign exchange	290	202	567	803	786
Reserves/imports**	5.87	5.06	5.06	4.08	2.70

\* Gold counted at a \$320 per ounce.

\*\* Our method of calculation differs from the usual method used by the MNB: While the central bank uses the foreign trade data of the balance of payments as its starting point, we divided the current price data for imports payable in convertible currencies, as provided by the KSH [Central Statistical Office], by the number of months in the year, then compared those figures with the total amount of international reserves.

Sources: MNB 1991/93 quarterly bulletin and KSH publications.

## MNB Bond Issues 1989-91

Chief Selling Agent	Amount*	Date of Issue	Interest Rate (fixed, in percentages)	Year of Maturity
Bayerische Vereinsbank	DM200 million	February 1989	6.625	1996
Daiwa Securities	JPY35 billion	March 1989	5.700	1999
DG Bank	DM200 million	June 1989	8.000	1997
Osterreichische Landerbank	ATS1.5 billion	September 1989	8.250	1996
Daiwa Securities	JPY25 billion	September 1989	6.000	1999
Kreditbank S.A.	ECU**75 million	September 1989	10.000	1996
Westdeutsche L.B.-G.Z.	DM200 million	November 1989	8.000	1996
Creditanstalt	ATS1 billion	February 1990	9.500	1997
Commerzbank	DM300 million	March 1990	10.000	1997
DG Bank	DM200 million	May 1990	9.75	1996
Deutsche Bank	DM200 million	October 1990	10.000	1995
Osterreichische Landerbank	ATS500 million	October 1990	10.625	1997
Daiwa Securities	JPY25 billion	November 1990	9.000	1995
Kreditbank S.A.	USD200 million	August 1990	10.500	2000
Commerzbank	DM200 million	March 1991	10.500	1996
Commerzbank	DM150 million	April 1991	10.500	1996
Bankers' Trust	USD100 million	July 1991	10.500	1996
CSFB	ECU 200 million	September 1991	12.125	1996

\*DM—German Marks; JPY—Japanese Yen; ATS—Austrian Schilling; USD—U.S. Dollars; ECU—European Currency Unit.

\*\* Issued in USD, the denomination of the transaction is in ECU's.

Source: HETI VILAGGAZDASAG, 14 September 1991.

The tables provoke thought. The second table indicates that although international reserves had increased as compared to 1987, the coverage quotient for reserves and imports payable in convertible currencies has fluctuated significantly since 1987. The third table reflects MNB loans taken out on the basis of bond issues. It remarkably proves that this kind of borrowing has become more expensive, at least insofar as Hungary is

concerned. Although we recently heard of yet another the successful consummation of an approximately 6-percent interest loan based on a bond issue, the fact is that the 6-percent interest rate of 1987 has increased to more than 10 percent by 1991. Some bankers believe that unless Hungary experiences a constrained situation, borrowing at the approximately 10-percent interest rate level should be given thorough consideration at a time

when a 6-7 percent lending interest rate prevails in the international market place.

Accordingly, the Hungarian economy must assume yet another, increasing burden for increasing its reserves. This is particularly true under circumstances when the deteriorating condition of the real economy consistently diminishes the ability of the economy to carry a burden. Accordingly, the question for professionals remains to be answered: Considering the dynamics of international reserves, at what price will we be able to acquire international reserves that are indispensable both to the MNB and to the achievement of our forint convertibility?

### **Delay in Passage of Environmental Law Scored**

92CH0145B Budapest HETI VILAGGAZDASAG  
in Hungarian 9 Nov 91 pp 89-91

[Article by Gabor Szabo: "Environmental Regulation; Crime and Punishment"]

[Text] An unprecedented thoroughness characterizes the drafting of the environmental law amid the dumping crop of legislation produced recently. Opportunities for delays in finalizing the environmental law are diminishing by the day, however, because things that ought to be regulated or prevented will irrevocably take place if further delays are incurred. For example, conditions by which new owners of privatized enterprises inherit the earlier environmental "crimes" is by far not a matter of indifference.

Many may feel that replacement of the obsolete, old environmental law may wait for a while, and it may be even more incomprehensible why modern legal provisions, such as those prevailing in the FRG, which proved themselves elsewhere, cannot be simply adopted. "The theoretical approach could be adopted, but the actual legal provisions would not fit into the entirely different Hungarian legal system," according to Andras Sajo, the person in charge of the working group performing the codifying work. "In Hungary there hardly exists an administrative law court like those in Germany, courts which have jurisdiction over certain environmental protection issues. On top, bankruptcy processes are different in Germany, not to mention the fact that in Germany the law delegates broad authority to the territories. The former GDR was able to adopt West German rules without change only because it also adopted the entire legal system of the FRG."

According to its framers, the new environmental law cannot be delayed for long because a number of concerns must be promptly resolved as privatization progresses. Sajo mentioned "acquired rights" as one example: Years ago, one or another enterprise or cooperative succeeded in persuading authorities to relax the general criteria by which they may pollute live waters. In those days, permissions of this nature were justified by statements to the effect that the water flow would tolerate and digest a greater degree of pollution, but by now, the condition of

rivers has substantially deteriorated not to the least because of mutually independent permits that have been issues often in response to mere telephone calls. It would be rather odd to continue this practice and to permit new owners of privatized enterprises to continue this practice by inheriting such rights to "pollute." Quite naturally, discontinuing exemptions like these—in force for decades—on an individual basis would be resisted by the affected enterprises. Therefore, invalidating individual exemptions by law appears more feasible, even if a few years of grace period must be granted before full compliance is achieved. This is so because foreign investors are not discouraged by the stringency of environmental measures, they are deterred by their unpredictability.

Environmental Protection Superintendency Deputy Chief Robert Reiniger believes that "urgency is also warranted by the fact that in the course of, or after privatization, it may be revealed that as a result of authorized or illegal waste deposits an enterprise had polluted the environment in the past to an extent that the new owners incur expenses in the form of restoration costs or compensation to be paid." It is natural from the standpoint of an investor to minimize these risks, in this way, however, all the consequences of environmental damages authorized by the state and inflicted earlier would burden the state even after the removal of the state from an enterprise. For example, the Swedish Electrolux firm purchased the Lehel Refrigeration Works of Jaszbereny under the condition that the purchase price of about 5 billion forints included the liquidation costs of the factory's five illegal hazardous waste depositories. According to AVU [State Property Agency] calculations the related mitigation of damages would not cost more than between 500 million and 700 million forints, but if this estimate proved to be too low, the related risk would be underwritten by the state and not by the buyer.

A central environmental protection reserve fund should be established for the liquidation of the consequences of old "crimes." This fund would be replenished out of a legally establish proportion of privatization revenues and could be expended exclusively for the mitigation of unforeseen "inherited" environmental damages. The environmental protection law now being prepared would establish the performance of an environmental assessment as a condition for privatization, in addition to an analysis of the enterprise to be privatized. Such assessment should deal as best as possible with yet unknown depositories which had been concealed thus far, as well as with potential sources of pollution....

The cost of mitigating environmental damages and the share of such costs to be paid for by the legal successor should by all means become a factor to be considered in the privatization bargaining of the purchase price. The exact proportion of the purchase price that should be deposited in the separate fund so as to avoid imposing an excessive burden on the state budget in the course of defusing these time bombs is not clear even to those who developed this concept. In order to determine a specific

proportion, it would be necessary to know the number of concealed or unknown pollution sources to be revealed in the coming years—a matter shrouded in a heavy veil as of today. In any event, in the framework of its newly proposed property policy guidelines, the AVU has resolved the task that would require complex calculations: It recommended that a three billion forint guarantee fund be established by using privatization revenues.

Other basic data are also missing. One cannot determine, for example, the combined level of permissible pollution in given regions, levels which do not upset the environmental balance and which do not threaten the residents. In other words, by necessity, the new law is also unable to establish new threshold limits for pollutant discharges. On the other hand, there already exists an opportunity to establish by law a principle according to which these threshold limits—e.g., the permissible level of air pollution by a power plant—would become more stringent pursuant to a predetermined schedule, to provide time for business and industrial units to prepare themselves. Moreover, consistent with modern Western rules, enterprises could “buy and sell” their “permits” to pollute, allowing other firms to use the “surplus” quota made available by enterprises which have not exceeded their limits as a result of e.g., introducing modern technology. The cost of such trading would depend on agreements freely reached by the respective enterprises. As a result of such measures, situations may occur in which environmental protection investments no longer constitute least desirable investments to enterprises.

These ideas are being reconciled with the Green movements. Just when will these concepts become law? Gyorgy Erdei, head of the enforcement division of the Environmental Protection Ministry, believes that the ministry's proposal may be presented to the future executive agencies—the state administrative organizations—and to business and industry interest groups toward the end of this year, at the earliest. Only after summing up these views, which will certainly differ from those presented by the Greens, will the final version be presented to the cabinet and to parliament. It is hoped that other legislative proposals, which have a direct impact upon the condition of the environment, such as the land, forest land, hunting and water resource management laws, will not precede the environmental protection law, i.e., it is hoped that the environmental law which also impacts upon those issues will not be confronted with accomplished facts in those fields.

**Central, Local Government Gypsy Policies Scored**  
*92CH0161A Budapest BESZELO in Hungarian*  
16 Nov 91 pp 5-6

[Article by Ottilia Solt, member of the Alliance of Free Democrats leadership: “Monotonous Prospects, or Is There No Way Out? Central and Local Governmental Gypsy Policies”]

[Excerpt] [passage omitted]

#### **Governmental Gypsy Policies**

It should come as no great surprise that a government struggling with economic crisis and staggering from one political crisis to another has not provided any guidance in this regard. Without saying a word, it has tolerated the tension induced by the Nemeth government's quick actions to conform with standards of European constitutional statehood, even though the impoverished or poverty-threatened majority has been very apprehensive about family supplement payments available to every child since 1990 in the form of a benefit provided by the state, providing the most secure income ever to Gypsy families blessed with an abundance of children.

Police action to confine intimidated Gypsies to their ghettos has become substantially more difficult since legal institutions characteristic of the police state have been terminated and since possible coercive action even in the absence of the commission of a crime—police supervision, the designation of mandatory residences, reinforced correctional and educational labor, etc.—has been done away with. These measures have been referred to in MDF [Hungarian Democratic Forum] circles—by Istvan Csurka and at one time or another even by the Minister of the Interior—as products of harmful and rash liberalism. Moreover, constitutional amendments adopted during the peaceful days in parliament that followed the noteworthy MDF-SZDSZ [Alliance of Free Democrats] pact, guaranteed the same minority rights to Gypsies as those granted to national minorities, and within the Gypsy minority to various groups by changing the heading of the paragraphs applicable to national minorities to read “national and ethnic minorities.” This amounts to no less than a grant of political rights.

But cloaked in these unabridged institutional guarantees—never questioned by the politically alert public—executive branch organs have more than once taken discriminatory steps. In most instances, police atrocities become publicized and prompt retribution only when external, mostly Gypsy organizations register their protest. Nothing indicates that authorities actually heed such protests or take ex officio action to stem illegalities against the Gypsies. To the contrary: Yearning to regain their former authority, police organs conduct an effective and, on occasion, coarse propaganda campaign by using proven contacts at the press. In turn, no governmental organ raises this issue. A two-part interview with police Major Gyula Borgulya entitled “Hungarians, Cry!” published in PESTI HIRLAP on 30 and 31 October is a flagrant example of racist statements. We have no reason to attribute this article to some irresponsible journalism. A few days later the major made yet another statement: His superiors had authorized the interview and have not objected to its contents since. “Hungarians, Cry!” has sparked a scandal in the course of which the government's National and Ethnic Minority Office—12 days after the appearance of the objectionable writing and also on the pages of PESTI HIRLAP—

rejected the police major's statements, the tone of voice which offended all Gypsies, as well as the text added by the newspaper's editors. (Parliamentary representatives have filed written complaints with the supreme prosecutor, the minister of the interior and the national police chief about Major Borgulya's statements. No response has been received as of press time.)

We are confident that the Minority Office's gesture has a definite political meaning. This governmental organ has not failed to act, and its statement 12 days after the interview—unprecedented not only during the past tenure of the Antall government but also in the course of the past decades—has probably been the subject of negotiation. At last, the responsible government of the democratically elected parliament of the Hungarian Republic no longer tolerates anti-Gypsy incitement by one of its public officials (a police officer is a public official, after all!). This is the minimum though, and it does not amount to much.

Just what the government is going to do with the obviously strong, perhaps increasingly strong anti-Gypsy sentiments of a majority of society demanding discrimination remains a mystery. Quietly tolerated, quietly practiced timid excuses, e.g., on the borders, will not disarm such passions.

#### **What the Liberal Autonomous Local Government Does**

It evicts. This practice is followed not only by the local government of Zuglo. And the subjects of eviction are mostly Gypsies.

Most of the arbitrary occupants of apartments are also Gypsies, of course.

Zuglo Mayor Dr. Zsuzsa Kardos most firmly rejects the idea that this matter involves Gypsy issues. Accordingly, the liberal response is that we do not recognize the fact that the consistent, stringent legal action, like the one that took place on Thursday, 7 November, has threatened Gypsies exclusively.

The local government which exercises power under daily pressure is unable to avoid situations as elegantly as the central government does, far removed from everyday conflicts. (Nor can the police. This is why we find most problems with the police from among the organs supervised by the government.)

Local governments are tormented in wrestling with such situations in the midst of disputes within their own bodies and under attack from one or another association.

Some kind of settlement has already been reached regarding several dozens of squatters who arbitrarily occupied apartments in Zuglo, but their diminishing number was of no help because an increasing number of new ones appeared. They occupy about 200 apartments at present.

For example, No. 26 Szatmar Street is a condemned building that has been evacuated several times, but it

could not be demolished because there was a delay in issuing a city permit. This is what the mayor says, at least. In vain have they already resettled everyone in some way, half of the apartments are once again occupied, even though in the meantime they have already demolished the studs that held the caved in roof.

A sizeable crowd greets the passerby in front of No. 26 Szatmar Street in the morning of 7 November. The crowd consists of three distinct groups, each of which mingles with the other groups from time to time. Just by looking at them one can tell that the rather well dressed Gypsies from Mateszalka make up quite a large clan. We see some dignified elderly men and women, a larger number of vocal and passionately gesturing younger women with warmly dressed little children in their arms, some calmer men, and only a few older children. The rest of them are in nurseries and in schools. We find one or two neighbors, they did not move in arbitrarily, they may stay in the life threatening building. The people who implement the evictions are on the opposite side of the street: the strongest one, a husky man dressed in a suit with some gold chains, is the boss. He contracted with the mayor's office as an entrepreneur. His men are probably occasional workers, they are thinner by many kilograms and their clothing is more shabby. Judged by his clothing, the boss is not prepared to do the packing. Two women are visibly anxious because their world has come to an end. Their children must temporarily be placed into foster homes. Policemen stand on the side in the distance away. About 10 caps, altogether. Between the two groups we find those who exert pressure: three boys dressed in the uniform of the Maltese Charitable Services, one from the Asylum Foundation, one from SZETA [Foundation To Help the Poor] or from the SZDSZ parliament—pick your choice, and people from various Gypsy organizations. Three organizations are represented, I think. Events turn as Agi Daroczi begins to sing the Gypsy anthem and the people to be evicted follow. Just as the MDF did to protest the taxi blockade and just as Gabor Ivanyi's group did in Szeged some 10 years ago to protest another eviction. The radio is there with microphones, the television with its cameras—they were notified by the Phralipe. The Gypsy member of the government's minority office arrived later. (The district's SZDSZ representatives had been notified by representatives of the Maltese Charities the previous evening, they tried to persuade the mayor over the telephone.)

Representatives of the Maltese Charities and the FIDESZ [Federation of Young Democrats] deputy mayor had been negotiating with the mayor for two weeks: they would take over and fix up the building, they would make a crisis shelter out of it. Their first crisis residents would be people who occupied the premises arbitrarily. (This was the first instance in which the Maltese visited Gypsies. They came one evening, were a bit scared but pleasantly surprised once they saw neatly fixed up apartments upon entering.) The Maltese are unable to understand why large families are being

evicted. They notified the mayor that they would endeavor to prevent the evictions as a result of their physical presence.

By afternoon the "arbitrary Gypsies" and their helpers had won a victory. The great variety of helpers brought to life what could have been headings describing organizations in a chapter about "social control" or "civil counterweights limiting power" in a (beginner's) textbook on democracy, despite the fact that there were some heated moments. A truck under contract, with "glass transportation" inscribed on it began to move but the helpers stood in its way. The police commander uttered some words about impeding official action, but these amounted to examples only. And then, while some social organization accompanied by citizens marched to the mayor's office, the man from the Office appeared in Szatmar Street and called upon the entrepreneur's people to implement the orders. They did not obey. They would not work as long as negotiations were underway, they said.

At 2 pm the mayor appeared in person—this was her first visit to the place—and told the Gypsies that they could stay for the time being.

These were the rather dramatic events of 7 November in Zuglo, but very similar events have already taken place for the past two years in other parts of the city, and even in other cities. For example, on 7 November evictions also took place in Angyalfold, simultaneously with the Zuglo events.

Local government Gypsy policies amount to something like this. They evolve in bitter, daily clashes, pushing affected persons to the brink of an abyss. Perhaps for the first time in recent Hungarian history a social consensus is about to evolve. We hope that the tolerance of these people will last until such a consensus evolves.

### **Treatment of Blacks, Arabs, Called 'Brutal'**

92CH0161B Budapest BESZELO in Hungarian  
16 Nov 91 pp 8-9

[Article by Kristof Varga including interview with Martin Luther King Society spokesman Dr. Marton III; place and date not given: "Martin Luther King in Budapest—In Colors"]

[Excerpts] [passage omitted]

### **In Gray**

Colored students frequently seek assistance from their embassies. The embassies then send their complaints to the Foreign Ministry, the Foreign Ministry passes on the complaints to the Ministry of the Interior; time will have rendered a case obsolete by the time it completes the bumpy journey. Students do not like to contact the police directly. In their view the skinheads, just as those who deal with foreign exchange, enjoy the confidence of the police. "Not only the skinheads and the people are

filled with hatred, but also government officials and policemen," according to Ahmed from Palestine. This belief is also supported by the following "stories." One concerns a policeman who made a remark concerning a brutal attack on a Sudanese young man who walked with his white girlfriend: "Well, he should not have been whoring around." The other is about the periodic slaps in the face colored students receive by the police even though they are the complainants. Boys from Yemen tell about the way a patrol that responded to a call entrusted them to the "care" of 15 skinheads at 9 pm on 12 October in front of the Skala: "Once this whole thing was finished with the policemen 15 skinheads arrived on a streetcar. They got off and waited for us at the next corner. The policemen saw them, too. We asked the policemen not to leave us there because the skinheads were about to beat us up. This is what the policeman had to say in response: 'Go home into your dear, whore mothers!' When we continued to request that they stay and pointed at the skinheads, one of the policemen looked around and said that he did not see any skinheads. They left us there. We would be in a hospital now had it not been for two taxis that happened to come by."

The 11th District police command involved in this matter frequently deals with conflicts between skinheads and foreigners because the Technical University and its colleges are located in that district. Imre Gyori, the police captain of the district, said that "No such report has been filed against my policemen. Should a report like this be filed, I would, of course, investigate this as a disciplinary matter. I do not tolerate partiality. A policeman is also held responsible for failing to act. Insofar as the skinheads are concerned: Their number has increased. We had eight such cases this year, all of these had been pursued based on complaints filed by students. In seven of the eight instances we found the offender and transferred the case to the prosecutor's office requesting that he file charges. Students often file reports belatedly, in many instances two or three weeks later. They love to go to their foreign representation, to the Foreign Ministry, and this consumes a long time between the incident and the investigation." It is hoped that this time period will be reduced by an agreement reached between the Martin Luther King Society and the captain concerning continuous, mutual information exchange.

### **In White**

Martin Luther King Society spokesman Dr. Marton III had this to say: "If you come down to the Coconut Club (the club of 'distant foreigners' studying in Hungary) where mostly blacks are present, your first thought is to find the exit! Even though nothing in particular is taking place. People are sitting, conversing, laughing, and dancing. Just put yourself in their places after they arrived in Hungary."

[Varga] What prompted you to establish the Society?

[Ill] Upon moving to Budapest I shared a room with a Ghanaian and a Jamaican boy. They told me on the first day that I would hear all kinds of bad things about them, that they were homosexuals, that they were screwing the girls, that they were dirty, that they stunk, etc. At the end of the conversation they asked me to tell them in their face if I had some problem with them and that I should not talk about them behind their backs. I regarded this entire matter as stupid. Then I met acquaintances, everyone was very happy that I, too, became a member of the college. They asked who my roommates were, of course. They were shocked by my reply and asked whether I knew that they.... At that point they told me everything my roommates told me about. Once I had heard the same story from 10 or 15 people I was glad about having been warned in advance. Later on the two boys and I became friends and we began to have common friends. I had a black girlfriend; I dated her for three years. In those days I experienced everything you could imagine, from close up. I was simply struck in the head in Bekasmegyer, the place where we lived. They switched off the circuit breaker in the corridor, upon opening the door a man from the ninth [as published] had this to say: "Listen, I've had enough of having filthy Negroes come to this building, get out of here," and with that he hit me in the head and I lost consciousness. And there is more than one story like this, of course. [passage omitted]

### High Miscarriage Rate in Towns, Causes Sought

91CH0146B Budapest NEPSZABADSAG in Hungarian  
29 Oct 91 p 11

[Interview with Gabor Koncz, Somogy County's chief medical officer, by Istvan Varga; place and date not given: "Examinations and Guesses—Miscarriages With Question Marks"]

[Text] We were the first to report recently in the present newspaper on a series of miscarriages that happened in Mike and Kadarkut of Somogy County. These two towns are very close to Rinyaszentkiraly, a village of a few

hundred inhabitants, where in the past two years 11 of 15 newborn infants were born with some kind of defect.

Our article prompted the Somogy County Medical Service to launch an investigation in these two towns. Dr. Gabor Koncz, Somogy County's chief medical officer, told our correspondent about the results of this investigation.

[Koncz] We learned that seven miscarriages were registered this year at the medical offices of these two towns. There are about 70 births per year in this district, so we can say that the number of miscarriages was about 10 percent.

[Varga] What could have been the reason?

[Koncz] Some persons were quoted in the article who seemed to know that the Soviet base at Mike's outskirts could have emitted some radioactive material into the atmosphere. According to our measurements, background radiation in this area is way below the permissible level.

[Varga] It has also been said that an unusually high number of people are losing their hair in this area. Why?

[Koncz] We investigated that, too. In summary, we can say that the number of persons seeking medical help for losing their hair was not any higher in the two towns than anywhere else.

[Varga] There are several fish ponds in Mike's vicinity. One of the "suspects" in the Rinyaszentkiraly affair was a chemical called Flibol, used for treating fish.

[Koncz] We asked the women who have had a miscarriage, and two of them said that they ate fish occasionally. There were no allergies or tubercular skin problems in the town either, and no new insecticide has been used. The fear is justified, for Rinyaszentkiraly is close to Mike and Kadarkut and, according to certain assumptions, the two phenomena are somehow connected. But we have been unable to show any connection.

**Future Status of Slovenia's Foreign Policy***92BA0140A Ljubljana DELO in Slovene 9 Nov 91 p 23*

[Article by Darijan Kosir: "Flexible Neutrality Still the Best"]

[Text] Everything about Slovene foreign policy has already been said—more precisely, almost everything: A few days ago, a new initiative from the Socialist Party raised a truly major foreign policy topic that had not been dealt with, namely, the issue of the future foreign policy status of the Slovene state.

It has been vaguely included in the guidelines for the strategy of Slovene foreign policy, but in the discussions there has been hesitation between two solutions: between a status in some important organization, and neutrality. The outcome of this debate is predictable, but unfortunately still uncertain.

To be sure, back in May 1991 the Slovene Socialists addressed a deputy's initiative (from Dusan Semolic) to the Foreign Ministry and even proposed that neutrality be included first of all in the strategy of Slovene foreign policy, and later even in the Constitution. The response, which was prepared in June by Rupel's secretariat, said that "in the present phase of gaining independence there are three arguments" which indicate that the inclusion of neutrality would not make any sense: It is possible that during the process of international recognition there may be (in the first place) territorial claims against Slovenia as a result of which we would have to call upon a foreign power for assistance, in which case neutrality could be an obstacle; (in the second place) if Slovenia's strategic goal is entry into the EC, then "it is not advisable" to declare neutrality, which could be a formal obstacle for entry into the Community; and (in the third place) a declaration of neutrality—according to the response—would not improve the state's international security. And then the conclusion: In the Ministry's opinion, "in the present phase" it would not be advisable to declare neutrality in the new constitution and the foundations of foreign policy strategy, and consequently it proposes that discussion of this be resumed "after the independence" of Slovenia, when matters would be clearer. Since that moment has come, and in the meantime all sorts of favorable things have happened, the Socialists have obviously decided to raise this important issue again.

In expert circles, which recently attempted to justify the inclination toward neutrality at a certain conference held at the Socialists' initiative, there are virtually no more dilemmas about what Slovenia's "optimal desired foreign policy posture" (Bebler) should be like; in fact, there are very few possibilities to decide from, and very few acceptable corresponding alternatives. To wit, Slovenia could hardly be unarmed (there are few such states in Europe, and if there are, they are under the patronage of other great powers), but armed force could only be used to ensure external security, and could by no means exist for domestic political reasons. There is consequently no dilemma over this, and thus the point of departure is that

Slovenia should partly rely upon an armed force, which should be modest, less expensive than in the past, and comparable with the armies of the neighboring states. Up to 2 percent of the gross national product should be allocated for this purpose, and it should include from 10,000 to 12,000 permanent personnel and 45,000 in the first echelon. This is a point of departure that is also necessary for possible neutrality. We cannot do without it, since "a state that is not capable of defending itself is the source of all crises and the cravings of attackers," as someone said at the above-mentioned conference. From that point on, however, there are several possibilities for Slovenia's foreign policy posture, with advantages and disadvantages.

**Small Selection**

The possibilities offered are as follows: multilateral ties (the United Nations, the Conference on Security and Cooperation in Europe), ties with military alliances (NATO, the West European Union), permanent or treaty alliances with individual states or groups of states, ties with neighbors, and finally, nonbloc and nonpact orientations. Multilateral ties are attractive, to be sure, but have proven to be ineffective, since the system of sanctions only functions rarely (only twice since the war, most recently in Kuwait), peace-keeping troops arrive too late (or not at all), and do not correct, but rather consolidate things (on the "front line"). Ties with military pacts are apparently even more attractive, but the Warsaw Pact has collapsed, and NATO will not expand territorially, but only functionally; it has therefore rejected the possibility of the admission of Poland, Hungary, and Czechoslovakia, but is prepared to have political ties (through the parliamentary assembly) with everyone—including Slovenia. Among treaty alliances with individual states, virtually all the possibilities have been eliminated: The United States, to be sure, has its units in our vicinity but is not interested in such completely asymmetrical cooperation; Austria has domestic restrictions and is militarily weak; perhaps there might still be interest in Italy, which has a similar pact with Malta (perhaps later with Albania), but such an alliance would be questionable within Slovenia itself; the Hungary-Poland-Czechoslovakia troika emerged more because of inherited attitudes toward the Soviet Union and does not deal with security; and Croatia is dangerous for a pact because of its undetermined position (it has not yet decided what it would like), and it is still at war. Among the remaining nonpact ties, complete isolation of the Albanian type can be ruled out, as well as bankrupt nonalignment, and thus also the kind of doctrinal and dogmatic nonalignment practiced by Switzerland and partly by Austria. Thus, only two real possibilities essentially remain: a flexible and lightly armed neutral policy of the Swedish type (neutrality in war and nonalignment in peace), on one hand, and membership in the European Community and its emerging military alliances (their genesis is in the Franco-German agreement), on the other hand, because Slovenia's membership in the EC is

also one of Slovene foreign policy's top strategic orientations. From that point on, the real debate can start.

### Attractive Swedish Example

In discussions at the sessions of the Assembly Commission on International Relations about the strategy of Slovene foreign policy, Dr. Rupel has constantly emphasized that with respect to the fundamental strategic goal—membership in the EC—we have to be aware that it is a "symmetric organization," which is supposed to mean that economic ties also influence political and security (defense) ties, which is undoubtedly true from the statistical point of view. Also true then was what was written in the above-mentioned response to Semolic regarding the neutrality of Ireland and Austria and their membership in the EC.

Things are developing to some extent, however: on one hand, joint EC armed forces are emerging—a process which was perhaps also initiated by the crisis in Yugoslavia—and on the other hand, the Community is experiencing unrestrained expansion economically and also politically. And here we come to the point which was excellently touched upon by Dr. Bojko Bucar with respect to the compatibility of Slovenia's independent foreign policy with membership in the EC. Namely, the more European security policy is linked to Europe itself (i.e., outside of any future international order), and the more Europe is cohesively linked together internally, the less room and possibility there will be for realization of the specific interests and desires of the individual members of that Community. In other words, if the European Community (and everything indicates that this will really happen) allows the first candidates for admission to the EC (according to the agreement on a common market, these are the EFTA [European Free Trade Association] states, namely Sweden, Norway, Finland, Austria, Switzerland, Iceland, and Liechtenstein) the possibility of a fairly independent security and defense policy, then that will also mean in the future that a status of neutrality is not incompatible with membership in the EC. Even more precisely: If Sweden, after its admission to the EC, which is already scheduled for 1 January 1995, succeeds in keeping the elements of its neutrality—and from all indications it will—then a possible Slovene neutrality of the Swedish type would not hurt at that time either. It would even mean killing two birds with one stone: Since we do not believe that a compromise between the advocates of Slovene neutrality and the advocates of membership in the EC and its "symmetrical institutions" is possible, the Swedish example of membership in the EC, compatible with the essential elements of its flexible neutrality, can be an incredibly appropriate model for Slovenia.

It is consequently fairly clear that a status of flexible and loose neutrality (which is recommended by Bucar because it would not hurt later economic integrations) is by far the best solution for Slovenia at this time, but the question of whether the category of neutrality should be included in constitutional and legal documents at this

time still remains. It should be stated immediately that most experts are against the explicit inclusion of neutrality. Both written and unwritten neutrality make sense: On one hand, in order to maximize security all options should be kept open (possible military assistance from someone), which would argue in favor of the thesis that we should not include neutrality in the Constitution; on the other hand, the inclusion of neutrality would reduce the possibility of a potential attack against Slovenia, because with attacks against neutrals, one of the fundamental reasons for aggression is immediately eliminated (the status of the "opposing side" in blocs). At the above-mentioned conference, therefore, the experts showed a preference for not including the status of neutrality in the legal documents: Bebler thought that one should only include the provision that Slovenia does not belong to any pact, and that other things should be left open in view of the circumstances; Gersak and Sodrznik, however, were of the opinion that a declaration of neutrality would only make sense after agreements with all the neighbors, when we would convince foreign countries of the permanence of that neutrality. Gersak's observation thus remains a good conclusion, i.e., that neutrality should not be defined constitutionally, but rather by policy and doctrine, namely, as a loose type of armed neutrality, with independent neutrality being a transitional solution. After inclusion in the EC, two possibilities would remain: either inclusion in the European armed forces (if the situation required it), or maintenance of a status of neutrality within the framework of the EC (if developments in the future continue to go in the same direction as now).

In the opinion of Borut Suklje, a status of loose armed neutrality provides three fundamental results: the possibility of complete control over the army in society, a lower budget for the army, and thus more money for the intellectualization of society, and finally, a real possibility of the complete demilitarization of Slovenia. The emphasis was on the word "possibility." In this regard, namely, one must agree with Dusan Plut's question about whether the definition of neutrality that has been described eliminates the possibility of demilitarizing Slovenia, and whether it is "dead." At any rate, it is not dead as a process: If we add up what has happened in the area of Slovene demilitarization in just one year (the withdrawal of the Yugoslav Army, the period of military service being cut in half...), the results are already surprising. At any rate, the idea of a plan for "demilitarization now" is dead, since it is clear even to Dusan Plut that armed forces are needed even in case of neutrality (or even particularly in that case, in the sense that a state that cannot defend itself is the source of most crises). Undoubtedly, it should not be denied that demilitarization must remain as a strategic project for Slovene foreign policy (and domestic policy, of course), proceeding from the initially correctly defined loose armed neutrality (as Suklje claims).

And, finally, the time has probably really come when it will be necessary to talk seriously about Slovenia's foreign policy status (in accordance with Rupel's promise)

at the highest political and executive levels, and not only in parties and the media, and the professional and lay public. Above all, it seems that a clearly defined position for Slovenia abroad, along with a defined economic and political strategy (a constitution), would be one of the pillars of its coming statehood and of legitimation of the maturity of its policy.

### **Military Adviser on JNA, Slovene Defense**

92BA0139A *Ljubljana DELO in Slovene* 9 Nov 91 p 22

[Interview with Milovan Zorc, defense adviser, by Miran Lesjak; place and date not given: "Slovenia at a Strategic Crossroads"—first paragraph is DELO introduction]

[Text] The Republic Presidency has had a new adviser on defense issues for a good 14 days now. It is Major General Milovan Zorc, one of the Slovene officers who in recent months has left the Yugoslav Army, which has been disgraced by the civil war.

At the end of June, Zorc said farewell to the Yugoslav Army as the commander of its Sarajevo corps, and before that, served for a long time in Slovenia as the chief of the republic's territorial defense headquarters. At that time, he taught in the Defense Studies Department of the School for Sociology, Political Science, and Journalism, and today's defense minister and many other Slovene officials, as students, took notes on his lectures. In civilian life he was a lawyer, and in uniform he was an anti-aircraft defense officer.

[Lesjak] Until recently you served in the JNA [Yugoslav People's Army], and now you are an adviser to the Presidency. Why did you decide to take that post?

[Zorc] I retired on 30 June, at my request, and the question was what I should do afterward. Because of the war, and in general, unresolved defense issues, I made myself "available." The president of the Presidency invited me to collaborate in the military area. That was agreed upon in the beginning, and when Bojan Usenik, the former adviser, left, I took over giving advice on defense issues as a whole.

[Lesjak] Is it a big jump, that is, hanging up your uniform and your practical work and only giving advice as a civilian?

[Zorc] Not at all. As a corps commander I already had to think at the strategic level, and in any case I was also dealing with the defense system outside of my duties on the job, since I was teaching at the FSPN [School of Social and Political Sciences].

[Lesjak] Do you remember what you did on 26 June?

[Zorc] Of course! I was in Ljubljana. On the evening of 25 June my family and I arrived from Sarajevo, and on the 26th, first of all we rested from the trip, and then we joined in the mood that reigned in Ljubljana during those days. On the evening of the 26th I was also in Presern Square.

The life that I lived in the Yugoslav Army was also ending precisely during those days. At the end of April, in fact, I was summoned for personnel talks in Belgrade. They told me that they would transfer me somewhere else from Sarajevo, but I had already let them know two years before that I would not consent to any transfer unless they reassigned me to Ljubljana. That was out of the question, of course, and furthermore, those talks were consistent with a situation in the Army that was unbearable for me. I began to wonder where it was all heading. Some strange smell was wafting from the positions and reports from the general staff and the Federal secretary. That is why I decided on early retirement. Immediately after that, the suspicion of where collaboration in such an undertaking would lead me was confirmed, since the unit that was blockaded near Listica in Hercegovina belonged to my corps. Everything that happened with respect to that blockade was a shock to me.

[Lesjak] Why?

[Zorc] Because of the resistance from the population of Hercegovina to just one military unit being transferred to Dalmatia. I received the order for its transfer by telephone, and in 12 hours the unit was already on the way, without any particular preparations. It had been ordered that the transfer be through the territory of western Hercegovina, where we knew that most of the people living there were Croats, and furthermore we did not have any garrisons there. The route really was the shortest one, but the consequences of such a transfer could have been predicted in advance. I do not know what the general staff was thinking. I was in doubt. I knew that what was happening was not right, but at the same time I had to carry out orders. I could actually become the commander of the corps that started a war in Yugoslavia. I suggested that we notify the authorities of Bosnia-Hercegovina about that transfer, but I was explicitly forbidden to do so. The unit went out, and in an hour or two it stopped in front of a barricade. When it stopped, I had to report that to my superiors, and only then did they permit me to get in touch with the authorities and try to settle the matter. I spoke with the Bosnian prime minister, but it was no longer possible to avoid conflicts in the field.

[Lesjak] Where was that unit actually intended to go?

[Zorc] To Split, or to Sinj, and then it turned out that it was going to the Serbian area in Kupres. Things were very tense in Listica, however. I was there together with Bosnian officials, and I was trying to convince people jointly to avoid a conflict, and I assured them that my unit would not start a conflict. That is also what happened.

[Lesjak] Can you be more precise: Who gave you the order for the transfer, and to whom did you report?

[Zorc] The order came from the command of the First Army District. Its commander was General Spirkovski, and the chief of staff at that time was General Simovic,

the present Serbian defense minister. I had the most contact with him, and later with General Spirkovski. Their demands were that the unit should be transferred at any cost, and that heavy fire should be used if necessary and if the order came. On my own responsibility, I moderated those demands and ordered that soldiers should not fire at any cost, except in self-defense, and that they should not destroy anything. Otherwise, I did not refuse to obey; it was just that my orders were such that they did not allow a violent transfer.

[Lesjak] Then you were a saboteur?

[Zorc] I would not say that. I would say instead that I was a realistic and honest officer. It was not sabotage, since by not allowing killings I also did the Army a great service.

[Lesjak] How long were you in the Army?

[Zorc] Almost 34 years.

[Lesjak] How is it that you leave the Army after 34 years in such circumstances, as you did?

[Zorc] Well, my case was unique. Last year things were still following the established course: You turn over command and you are still "available" for three months while you settle everything necessary for a new way of life, and in the end you say goodbye to your collective. A request for early retirement was always something unheard of, almost half treason, since all the other generals wanted to keep working after age 60. It was in Listica that I was told that I could go, and that was just in passing. The next day my successor assumed command.... All sorts of people were looking at me sideways, as if I would not cooperate anymore, I was supporting separatism, and so forth. It was even worse, however, for the colleagues who left after me.

[Lesjak] Today the Yugoslav Army is spoken of as the Serbian army. Was there any period when it really was a Yugoslav army?

[Zorc] The Army was most Yugoslav at the time of the NOB [National Liberation Struggle]. When it received the name "Yugoslav," many people thought that it had to be above the peoples. It built that kind of image for itself the whole time, but on the other hand it was less and less Yugoslav. Up until Tito's death, expression of any sort of national inclination was undesirable. The Army severely punished any nationalism, and only dealt more carefully with Serbian nationalism. In the end, there was nothing left of Yugoslavism in the JNA's leadership, if by that we mean the equality of peoples and republics.

We officers at the lower levels, however, really found confirmation that we were Yugoslav officers almost every day during our contacts with individuals who were members of all republics. We camped in their territory, conducted military exercises, and built water supplies. At one time people respected us—yes, even in Slovenia,

and up until recently, in Bosnia as well. Their unexpected distrust was a shock to us, since we had not done anything wrong. In the eyes of the leadership, demands for democratization became attacks against the JNA.

[Lesjak] The overall impression of the army that is waging war in Croatia, however, is that it is not just a Serbian army, but that there are as many armies as there are army corps taking part in the battles. Is that true?

[Zorc] In view of all the discipline and strictness, that is a surprising phenomenon. I already said earlier that officially the Army did not tolerate nationalisms, but General Uzelac, an acquaintance of mine, even a year or two before the war permitted himself the kind of public statements that represented real political scandals in Bosnia. Today he speaks and acts as if he were an independent commander. I doubt, however, that there are as many independent commanders in the Army as there appear at first glance. The people in Belgrade can still replace anyone if they want to and if they do not like a specific person. Consequently, if they are not replacing Uzelac, that means that they agree with him.

[Lesjak] Up until the Army's military involvement the opinion existed among the public that it was a technically inferior force with insufficient combat training whose tanks would "die" after driving for a few meters. We suddenly found out that it was the most powerful army in the Balkans. How did you view that army?

[Zorc] The organizational theory and doctrine of the Yugoslav Armed Forces were fairly modern. It was also very powerful technologically. It was potentially powerful, because it did not have an opportunity to test its power. It was also recognized as such by experts abroad, and since I also participated in some military exercises abroad, I had an opportunity to compare it with other armies. If anyone thought that it was some sort of primitive and backward army, that was a mistake. The armament was modern, although in the area of first-class military technology it could not be compared with the armaments of the states that launch satellites. Yugoslavia conducted a policy of peaceful coexistence, avoided conflicts, and made military preparations just in case. That means that all the equipment was standing idle, and if you then start up tanks, for instance, it is natural that they stand still on the roads for the first few days of the transfer. The MiG-29 is a first-class aircraft, the missile boats are modern equipment, and the M-84 tank is the third best in the world.

The outward appearance, which perhaps misled someone, the negligence and uncultured attitude, were primarily a result of the lack of money. There was too little money for such a large and extensive army to train every soldier well enough that he could also drive a tank as a reservist. In five years the reserves were called up for exercises for a few days, whereas in Israel, the reservists' exercises last for a month every year. Of course, the question of whether it was right for the Army to be that large is another matter. It was not right. The Army's

effectiveness, however, was destroyed by its politicization and the conviction that it was called upon and capable of maintaining order in the state as well.

[Lesjak] Automobiles are divided into lower, medium, and high-class. According to that analogy, which class would the Yugoslav Army belong in?

[Zorc] If it had already used part of its budget for the development of military equipment that other states do not produce themselves, it should also have had enough funds for training. In that case it would have been an army belonging to the higher European class; as it was, it was medium.

[Lesjak] Yugoslavia, on one hand, conducted a peace-loving and nonaligned policy, but on the other hand the Army was not equipped to play the role of policeman in the state. Then why did it have such a powerful army?

[Zorc] Because of its position between two blocs, in regard to which one should not forget that it was precisely during the Cold War period that the Army emerged. If you are nonaligned or neutral—which is currently the case today in Slovenia—you cannot count on anyone's protecting or defending you. As a neutral state, during a conflict between the two blocs it would also have had to fight against the one that would enter its territory, and consequently its armed forces would have had to be strong enough to prevent the misuse of this territory for an attack against the other bloc. During a certain period, there was even a doctrine of combat against both blocs at once. Furthermore, the nationwide defense doctrine itself required the commitment of enormous resources.

[Lesjak] There is almost no doubt any longer that Slovenia will have armed forces. What mistakes in the development of the Yugoslav Army should we not repeat in planning our own army?

[Zorc] What should be utilized is the general organizational procedures for the formation of an army. Those are the same everywhere in the world, and it really does not make any difference whether you call them Yugoslav, Russian, or American experiences. Politicization of the army is in first place among what we should not repeat. We should not let anyone put the army above society, or let it not be under the control of the Assembly. In the professional sphere, the first requirement is that you cannot afford isolation and self-absorption. Organizationally, we should be careful not to let an extensive, excessively large army emerge. The development of modern armed forces requires smaller but highly professional armed forces which exist in peacetime. Slovenia should also take that into account. We should not be satisfied either with a low standard of equipment or with low professionalism on the part of the members of the Slovene army. We can see among the Croats what poor professional training of the army means in wartime.

[Lesjak] Professionally, are you satisfied with today's Slovene defense system?

[Zorc] No, I am not satisfied with that system in terms of development, but that does not mean that I am criticizing it. With the Army's departure, a gap appeared in it, primarily in the military area. Until yesterday this territory was defended, along with the Territorial Defense Force, by the JNA, with all the Air Force, Navy, and ground forces. To be sure, we are not defenseless at present, but one still cannot speak of any comprehensive system. We are only in the initial phase of a new organization for the armed forces.

[Lesjak] You say that the Yugoslav Army was excessively strengthened because it was squeezed between two blocs and because Yugoslavia, as a nonaligned state, could not count on military assistance from outside. Doesn't a similar danger also threaten the emerging Slovene army, if Slovenia were to proclaim neutrality?

[Zorc] Precisely that could also happen to us. Slovenia's military and strategic position is even more sensitive than Yugoslavia's. We lie at a strategic crossroads. Neutrality itself does not mean any greater security. Neutrality is effective only if it is recognized and guaranteed by neighboring and other larger states. They will only recognize it if the neutral state does not allow its territory to be used by any foreign military power against a third state; and that can only be prevented by the neutral state's defending itself with its own army. In actuality, the fundamental question is, above all, how much such orientations really contribute to security. I think that it would not be productive if we were to make promises in advance about neutrality. Sometimes it is just necessary to be more pragmatic. A peace-loving policy and adherence to the principles of the CSCE contribute more to security than ostentatious statements.

[Lesjak] What do you propose?

[Zorc] Many states have been under the umbrella of one bloc or another, and were therefore much more secure. They would have been threatened if the blocs clashed, but the blocs did not enter into a conflict because of strategic fear. In the Eastern bloc, however, according to the theory of limited sovereignty, the smaller states, like Hungary, for example, were threatened more by their big brother than by the opposing bloc. That is always a concrete issue.

The most effective means of ensuring security is a peace-loving foreign policy. Two things are still necessary for that kind of security, however. Neutrality should be replaced by a system of collective security. That does not mean inclusion in any military-political organization. If you are a constructive and culturally normally integrated member of some community, you can count on collective security, but it also presupposes solidarity. I can also imagine strategic circumstances in which

states, because of their own concrete position, would join a military-political pact.

[Lesjak] Would you be prepared to become professionally involved in the Slovene armed forces and put on a uniform again?

[Zorc] I retired in Yugoslavia, and if I had retired according to the regular procedure I would have retired in two years anyway. Nevertheless, if it turned out to be necessary, it would be impossible to say no. At least, we professionals cannot say it.

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